

AS TALLINK GRUPP YEARBOOK 2008/2009





**A S T A L L I N K G R U P P Y E A R B O O K 2 0 0 8 / 2 0 0 9**



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## STATEMENT OF THE SUPERVISORY COUNCIL

Dear shareholders, customers, partners and employees,

The 2008/2009 financial year has been a challenging one. In a world where many businesses were affected by the global downturn including the shipping sector, we made it through this ever-changing economic environment. Although Tallink Grupp was not unscathed, it was positive that the operations of the Group are diversified enough. We were able to capitalise on our fundamental strengths and increase passenger volumes by one million taking the overall Group's passenger volume to a record high of 8.1 million.

The Group took a delivery of the new cruise ferry Baltic Queen in April 2009, a 180 million EUR investment which completes the fleet renewal programme for the Group. As a result of its fleet renewal program and the significant investments the Group has made, we have become the market leader in the Baltic Sea employing the newest and the most advanced fleet.

The Supervisory Council has regularly reviewed the financial results and the Management's economic activity overviews of the Group. The Management Board's activities during the period have also been regularly approved by the Supervisory Council.

The Management has put significant focus to improve the efficiency in the Group operations. This includes the cost reduction activities as well as more active approach to selling or chartering some of the Group's vessels. The Group's financial strength for the upcoming years was also increased by restructuring the Group's loans. The restructuring improves significantly the liquidity position while maintains the capitalisation. It is good for all stakeholders - the Group, its employees, partners and customers to feel comfortably in the current, still somewhat uncertain economical environment.

On behalf of the Supervisory Council, I would like to thank all members of our Management Board and all our employees who have contributed to our success. I would also like to thank all of our customers, passengers, partners and shareholders for putting their trust in Tallink.



**Toivo Ninnas**

Chairman of the Supervisory Council



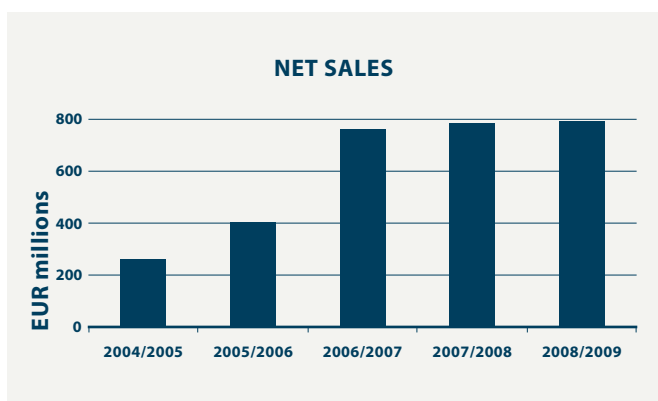
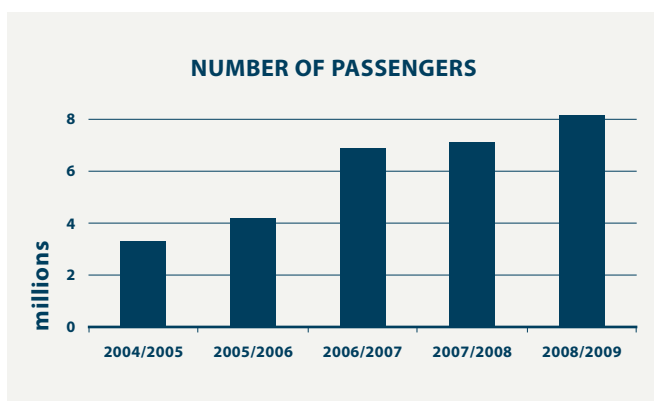
## HIGHLIGHTS OF FINANCIAL YEAR 2008 / 2009

- M/S Superfast IX went to **a five-year charter**
- In April 2009 the company headquarters changed into the **new head office** building in Tallinn
- Fourth hotel in Tallink Hotels chain: launching of **Tallink Express Hotel** in January 2009
- **Tallink continued the fleet renewal strategy:** the launch of the brand new cruise ferry **M/S Baltic Queen to the Tallinn-Stockholm route** in April 2009 and M/S Baltic Queen replaced M/S Romantika on Tallinn-Stockholm route
- Replacing M/S Regina Baltica with **M/S Romantika on Riga-Stockholm route**
- Reaching **a record in the passenger volumes** of a calendar month in July 2009 with over one million passengers
- The development of **self service check-in** to several harbours was completed
- Reaching the **traffic volumes of 8,1 million passengers** and **revenue volumes of 792 million Euros**

## DURING THE YEAR

## TALLINK WAS AWARDED:

AS Tallink Grupp was voted **The Most Competitive Estonian Company of Transport and Logistics in 2009** by the Estonian Chamber of Commerce & Industry and Estonian Employer's Confederation.





## FIVE-YEAR FINANCIAL REVIEW

<i>Million EUR</i>	<b>2004/2005</b>	<b>2005/2006</b>	<b>2006/2007</b>	<b>2007/2008</b>	<b>2008/2009</b>	<b>Change</b>
Net sales	260	405	761	786	<b>792</b>	0.8%
Gross profit	69	117	201	164	<b>165</b>	0.4%
EBITDA	58	94	159	126	<b>134</b>	5.9%
Net profit	30	95	67	19	<b>-8</b>	-142%
Depreciation	17	27	59	62	<b>70</b>	13.5%
Investments	23	1,039	141	271	<b>163</b>	-40%
Total assets	443	1,657	1,698	1,898	<b>1,947</b>	2.6%
Total liabilities	273	1,077	1,050	1,247	<b>1,305</b>	4.6%
Interest-bearing liabilities	245	956	948	1,120	<b>1,181</b>	5.5%
Total equity	170	580	648	651	<b>643</b>	-1.3%
Weighted average number of ordinary shares outstanding*	440,000,000	521,527,764	673,817,040	671,245,086	<b>669,882,040</b>	-0.2%
Number of ordinary shares outstanding*	440,000,000	673,817,040	673,817,040	669,882,040	<b>669,882,040</b>	0%
Earnings per share (EPS) euros*	0.07	0.18	0.10	0.03	<b>-0.01</b>	-142%
Shareholders' equity per share euros*	0.39	0.86	0.96	0.97	<b>0.96</b>	-1.3%
Price-Earnings ratio (P/E)*		5	13	21	<b>-29</b>	
<i>* the share and per share information has been adjusted with the share bonus issues</i>						
Gross profit margin	27%	29%	26%	21%	<b>21%</b>	
EBITDA margin	22%	23%	21%	16%	<b>17%</b>	
Net profit margin	12%	23%	9%	2.5%	<b>-1.0%</b>	
Return on assets (ROA)	9%	8%	6%	3.6%	<b>3.3%</b>	
Return on equity (ROE)	20%	31%	11%	3.0%	<b>-1.3%</b>	
Return on capital employed (ROCE)	11%	10%	7%	4.2%	<b>3.8%</b>	
Equity ratio	38%	35%	38%	34%	<b>33%</b>	
Number of passengers	3,274,177	4,203,163	6,873,339	7,070,264	<b>8,124,561</b>	15%
Cargo Units	131,349	188,330	359,781	331,149	<b>252,026</b>	-24%
Average number of employees	2,710	3,463	6,227	6,564	<b>6,853</b>	4.4%

## DEFINITIONS

<b>EBITDA</b>	Earnings before net financial items, taxes, depreciation and amortization, income from negative goodwill
<b>Gross margin</b>	Gross profit / Net sales
<b>EBITDA margin</b>	EBITDA / Net sales
<b>Net profit margin</b>	Net profit / Net sales
<b>Earnings per share</b>	Net profit / Weighted average number of shares outstanding
<b>Shareholder's equity per share</b>	Shareholder's equity / Number of shares outstanding
<b>Price-Earnings ratio (P/E)</b>	Market value per share / Earnings per share
<b>Return on assets (ROA)</b>	Earnings before net financial items, taxes, income from negative goodwill / Average total assets
<b>Return on equity (ROE)</b>	Net profit / Average shareholders' equity
<b>Return on capital employed (ROCE)</b>	Earnings before net financial items, taxes, income from negative goodwill / Total assets - Current liabilities (average for the period)
<b>Equity ratio</b>	Total equity / Total assets

## COMPANY OVERVIEW

Tallink Grupp with its subsidiaries (hereinafter also referred to as "the Group") is the leading European ferry operator offering high quality mini-cruise and passenger transport services in the Baltic Sea region, as well as a leading provider of ro-ro cargo services on selected routes. The Group provides its services on the various routes between Finland-Sweden, Estonia-Finland, Estonia-Sweden, Finland-Germany and Latvia-Sweden under the brand names of "Tallink" and "Silja Line". The Group's fleet consists of 19 vessels: eleven cruise ferries, five high-speed ro-pax ferries, two ro-ro cargo vessels, and one ro-pax ferry. In addition the Group operates four hotels in Tallinn which offer great additional value to the selection of the Group's travel related services. In 2010 the Group will start to operate a new hotel in Riga.

Tallink Grupp's investments into the modern fleet, built in 2000 or later, exceeds 1.3 billion euros. As a result of the recent investment and fleet renewal program the Group currently deploys some of the most advanced cruise ferries in the Baltic Sea. In particular, the Group management believes that the newest cruise vessels Romantika, Victoria I, Galaxy, Baltic Princess and Baltic Queen with state-of-the-art facilities, improved accommodation, larger onboard shopping areas and high quality onboard services, have set a new benchmark for travel standards in the Baltic Sea.

The Group's new high-speed ro-pax ferries with ice class are designed to combine the best features of a traditional cruise ferry, cargo vessel and a high-speed ferry. They can be operated year-round at almost the same speed as the Group's previous fleet of small and weather dependant high-speed crafts, but with increased passenger capacity, large car deck, expanded shopping and dining facilities and other services.

In 2009 the Group delivered its last cruise vessel under the fleet renewal program, MS Baltic Queen. There are currently no new vessels ordered. The Management is focusing on the improvement of the results of past investments and estimates that it will take few years before the need, if any, for further new vessels will become clear.

Through the fleet renewal program Tallink Grupp has established a versatile fleet, which allows offering a wide range of constantly improving services and frequent departures.

## STRATEGY

The Group aims to be the leading provider of mini-cruise and passenger transport services, as well as the leading provider of ro-ro cargo services on selected routes, in all the regions the Group operates.

The Group's strategy is to operate a high-quality fleet to be able to offer the highest quality mini cruise and transportation product to strengthen the market position in the region. High standard of the Group's fleet is one of the cornerstones to conclude profitable operations. Additionally, the wide range of Group's travel related services help to maximize the revenues from a customer.

The Group will focus on the customer satisfaction, loyal customer program and target Nordic markets to strengthen the customer base and improve the result of operations overall.

Main goal for the Group is to offer excellence in leisure, entertainment and travel services providing every passenger with the best travel experience and delivering the highest level of customer service.

## COMPANY OVERVIEW

**SALES AND MARKETING*****Products and Services***

We focus on offering our customers a wide range of transport and leisure products and services varying from a one-way high speed Tallink Shuttle service to a complete leisure and fun-filled short cruise with possible overnight hotel and spa stays at various destinations. A large proportion of our products are sold as combined services and travel packages. Travel packages may be tailored to suit customer preferences in each market as to the type of vessel, length of trip, use of conference services, hotel accommodations and other leisure products.

***Cruises***

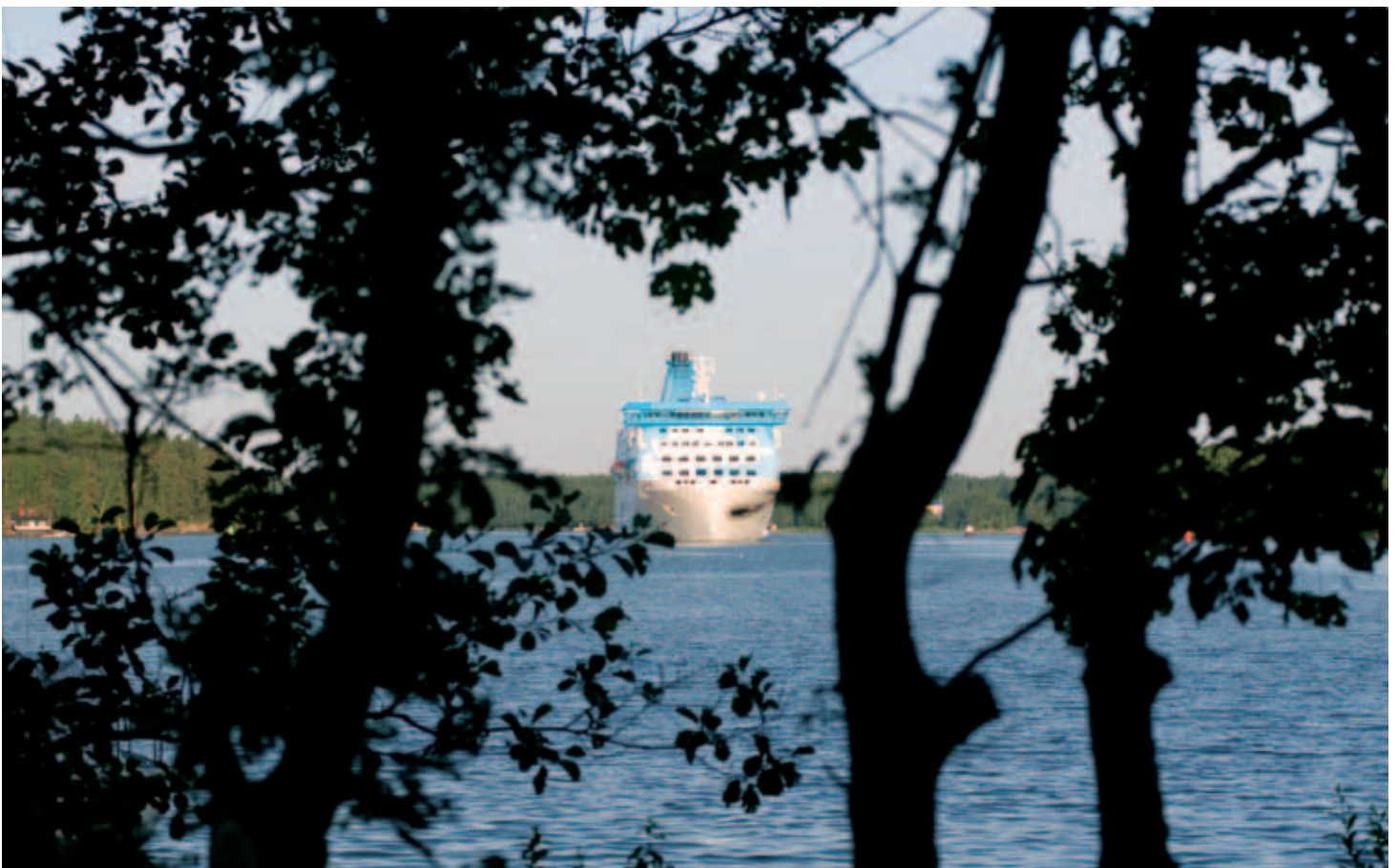
With the most modern fleet operating in the Baltic Sea today, we offer a variety of short cruises on all our routes which include Helsinki-Stockholm, Turku-Stockholm, Helsinki-Tallinn, Stockholm-Tallinn and Riga-Stockholm. We also sell short day cruises to Aland island from both Stockholm and Turku.

On our short overnight cruises either one or two nights between Stockholm and Helsinki, Tallinn and Riga our passengers not only enjoy the various restaurants, bars,

shops, spa facilities or excellent entertainment on board but can also purchase the many various day shore excursions that we offer in all the cities where we arrive and depart daily. We market and sell a variety of services that people can enjoy while taking a city break. Whether it be golf, opera, museums or special water amusement parks for children, everything we do is catered to making a cruise onboard one of our vessels a memorable experience.

Throughout the year we will market various activities onboard our vessels. For example Carnival months in the spring- to remind people that the dark and cold winter is almost over, wine weeks in the fall, French months or exotic India etc. We also have focused marketing onboard our restaurants which includes themes such as Blini Weeks or Aspargaus Weeks highlighting the fabulous and rich variety of restaurants from which passengers can choose from. During school holidays and summer holidays we have special children's entertainment programmes onboard so that families together can experience our special leisure cruise products.

Because we have such a diverse target group segment we offer a wide selection of cabin categories. This also allows for



## COMPANY OVERVIEW

flexible pricing depending on the selected route and departure date. For individuals and groups most onboard services and shore excursions can be purchased easily online or through our contact centres or travel agencies. For large groups we have a separate group sales department offering individual attention and personalised service which handles special requests including conference facilities and special group menus. We also sell the vessel to companies that want to have exclusive cruises.

### **Transportation**

Of course everyone can enjoy the cruise experience onboard even if they purchase a one-way ticket. Our Tallink Shuttle product which includes the vessels Star and Superstar sails between Tallinn and Helsinki 10 times a day. The voyage lasts only 2 hours but passengers can enjoy a wide selection of restaurants, bars, cafes and shops. Tallink Shuttle accommodates cars and trucks with 2000 lane meters of capacity.

### **Cargo**

In our business we operate under a mixed tonnage concept which means that our vessels carry both passengers and cargo. We carry only ro-ro cargo mainly trucks and trailers and do not carry container cargo. Our vessels are equipped with separate car decks onto which private cars, buses and ro-ro cargo can be driven while passengers are safely embarking. Cargo traffic is related to business logistics and its development is often linked to the overall general economic conditions and trade activities. Our customer base for cargo services consists of a wide range of clientele, from large transport companies to small and medium-sized companies. The goods carried by them vary from building materials to consumer essentials. We aim to work closely with our customers in order to continuously improve our efficiencies and service levels offering a flexible, affordable and efficient service.

### **Hotel Packages**

We can combine our cruise and one-way transport services with overnight stays in all of our markets. In Tallinn where we operate 4 hotels under the Tallink Hotel brand we can easily extend the leisure offer to our customers. In Tallinn, Tallink Hotel is the primary choice for our hotel packages. Here as in other markets we have agreements with a select few hotel chains offering hotel packages combined with transport or cruise products. In the winter months we also sell hotel ski packages with ferry transport to Finland and Sweden's popular ski destinations.

### **Tallink Hotels**

Tallink operates the largest hotel chain in Estonia with 4 hotels. Two trendy business class hotels in the heart of Tallinn – Tallink Spa and Conference Hotel right on the seaside and next to the historic Old Town and Tallink City Hotel in the center of downtown Tallinn. Tallink Express Hotel near the harbour is meant for budget travellers and the Pirita Top Spa Hotel catering to medical and wellness treatment clientele. The hotels are operated under the hotel chain brand „Tallink Hotels“. It is an extension of our leisure services that we offer our customers.

In the spring of 2010 Tallink Hotels will open the Tallink Hotel Riga making Tallink Hotels the second biggest hotel chain in the Baltic countries.

### **Onboard services**

Tallink Grupp is amongst the 10 leading travel retail outlets in the world. In the Nordic region, we are the number one outlet in terms of sales. Restaurants and bars onboard contribute over half of our overall revenues. All our cruise and transport passengers can dine for varying price levels ranging from traditional a la carte and buffet restaurants to fast food dining areas and pubs to even trying our exclusive gourmet restaurants run by some of the best chefs in the region. We have developed menus suited for Nordic tastes, accompanied by culinary inspiration from other ethnic cuisines. We focus strongly on the quality of our food and service and many of our chefs and catering staff have won numerous awards reflecting our excellent onboard service. Onboard sales in restaurants and bars are tax-free on all our routes. Everyone can purchase dining vouchers in advance when making their voyage booking and receive an early bird discount.

All our vessels have onboard shops where passengers can purchase consumer goods, alcohol, tobacco, cosmetics, confectionary, clothing, toys and accessories. Our onboard shops compete with land shops and thus the price levels onboard must be competitive in order to attract our passengers to purchase goods onboard. On all our routes from Estonia to Stockholm and Finland to Stockholm, we stop at Aland Island making it possible to sell goods with no excise or VAT thus making our products readily available to passengers at very favourable prices.

On all our cruise vessels we also offer gambling as a means of entertainment. The vessels are equipped with slot machines and on the bigger cruise vessels black jack and roulette.

## COMPANY OVERVIEW

### **Sales Segments and Channels**

Our services are available everywhere but active sales efforts are targeted towards our home markets which include Finland, Sweden, Estonia and Latvia and our key markets which include Germany, Russia, Lithuania. In Norway, Denmark and the Far East we use travel agencies in selling our products and services. Furthermore, with our different routes and wide range of products and services we truly can offer something to everyone. In sales operations we have divided the sales into three main segments each with its' own sales channels. The three major segments are the individual, group and conference passenger and tour operator group. Each segment is broken down further into specific target groups. For example individual target groups include: couples, families, seniors etc. For tour operators we have developed special prices from which they put together their own products that they market and sell to their own customer base. Depending on sales results we may from time to time assist in marketing efforts.

The group and conference market is an important segment for the company. We actively target companies, associations, unions and charity clubs to hold their seminars, events and exhibitions onboard our vessels. With our spacious conference facilities with its state of the art technical equipment and flawless internet connection, we can accommodate, depending on the vessel, over 500 persons. During the day our modern showbar lounges can be converted to seat up to 1000 people with high-tech sound and lighting possibilities. Combined with our extensive and flexible catering possibilities and onboard entertainment, our vessels are the ideal place to combine business and leisure making any large gathering a success.

All individuals and group and conference passengers can make direct bookings and reservations and special requests through our contact centers. Individuals can also make bookings online via our website. As we continue to develop making the online booking more easy to use, we have seen a noticeable shift from using the contact center to make bookings to making bookings online.

We also have a network of 21 of our own ticket offices in Tallinn, Tartu, Helsinki, Stockholm, Turku, Riga and St. Petersburg and customers can of course purchase tickets at all of our port terminals.

Another important component of our sales channels is our extensive network of travel agencies in all our markets. All of the travel agencies support our sales and marketing activities and use an easy to use online connection named Seaweb to our central booking system named Seaware. With our state of the art reservation system, we have the flexibility of making special promotions to be used only by our travel agencies in specified markets or if required make promotions that can be purchased only by our own individual online booking engine.

### **Customer loyalty programme**

Club One is our customer loyalty programme connecting together more than 500 000 households. Club One is designed to offer versatile, high-quality travel services to meet the needs of our frequent passengers. Members receive discount on tickets, collect points which can be redeemed for future trips and special offers, take advantage of our special service telephone line for convenient booking of their trips and receive the latest information of club activities. Members also receive a newsletter containing up to the minute information on the latest special members-only offers and travel opportunities. Cooperation agreements with various onshore shops and restaurants provide members with added value incentives and bonuses. Onboard the vessels Club One members can enjoy special benefits in our restaurants, bars and tax-free shops.

## PERSONNEL

### EMPLOYEES – THE POWER OF TALLINK'S ACHIEVEMENTS

Tallink's greatest assets are the thousands of employees over six countries, as they are the power behind the company's achievements. The duty of the employees is to assure the satisfaction of our passengers with our services every single day. Likewise, the company is also trying to do its best to secure that its employees feel great.

AS Tallink Grupp has about 6,800 employees, most of whom work at sea. This is natural, of course, since the company does specialise in maritime transport - it owns a total of nineteen vessels and operates seven different routes. Onshore personnel is mainly occupied by the managing, supportive and administrative services for the operations of the vessels, where in addition the staff of the ticket sales of the contact centres and passenger terminals are in important place. Tallink is also operating already four big hotels in Tallinn, the employees working there are accomplishing one of the sizeable and growing part of the company. Planning, recruitment, training, crewing and payroll administration are the topics included into the human resources management. All of these are handled internally within Tallink.

The proficiency of language within the company is at a very high level due to the nature of the services - our international

maritime transport routes serve per year approximately eight million passengers coming mainly from European countries. Tallink is a real international company which employs people from six different countries in which at least seven different languages can be heard daily. Nevertheless, this does not hold back cooperation between our staff members. On the contrary, our people have so much to learn from each other that we consider this exchange of experience to be of major added value.

The constant development of knowledge, skills and competence are required. The training system is developed in order to guarantee safe operations and a high level of service on board the vessels and in hotels. Our training program comprises the best of our internal knowledge but also the qualified external expertise. Tallink will continue to cooperate with various educational institutions, including most vocational schools and especially Maritime Academies and other organisations in this field, in order to introduce young people to the maritime industry. We try to actively promote maritime transport as a field of employment and to introduce the employment opportunities at Tallink with the primary aim of attracting employees with relevant specialised education, so that even years from now our staff will still be amongst the best in the Baltic Sea region.

On August 31, 2009 the Group employed 6,767 employees (6,890 on August 31, 2008).

	Average of 12 months			End of financial year		
	2008/2009	2007/2008	change %	31.08.2009	31.08.2008	change %
<b>Onshore total</b>	<b>1,610</b>	<b>1,611</b>	<b>-0,1%</b>	<b>1,639</b>	<b>1,721</b>	<b>-4,8%</b>
Estonia	783	750	4,4%	762	778	-2,1%
Finland	556	597	-6,9%	564	654	-13,8%
Sweden	194	200	-3,0%	233	219	6,4%
Latvia	52	40	30,0%	55	45	22,2%
Germany	19	18	5,6%	19	19	0,0%
Russia	6	6	0,0%	6	6	0,0%
<b>At sea</b>	<b>4,734</b>	<b>4,579</b>	<b>3,4%</b>	<b>4,648</b>	<b>4,665</b>	<b>-0,4%</b>
<b>Hotel*</b>	<b>509</b>	<b>374</b>	<b>36,1%</b>	<b>480</b>	<b>504</b>	<b>-4,8%</b>
<b>TOTAL</b>	<b>6,853</b>	<b>6,564</b>	<b>4,4%</b>	<b>6,767</b>	<b>6,890</b>	<b>-1,8%</b>

\* The number of hotel personnel is not included in the total number of onshore personnel.

In the 2008/2009 financial year the staff costs in the operations increased by 5% to 1,862.4 million EEK (119.0 million EUR) resulted from the previously agreed salaries increase and increased number of seaborne personnel due to the expanded operations. The increase was however minimized as the Group has improved seasonal optimisation of personnel. In result

of the decrease of onshore personnel and reduction of the salaries in the shore organisation the administration and marketing staff costs decreased by 88.8 million EEK (5.7 million EUR) or 11%. Thus the Group personnel expenses in overall increased only by 0.1% to 2,566.7 million EEK (164.0 million EUR).

## SAFETY & SECURITY

### SAFETY & SECURITY

In the Group operations the safety of people, environment and property is ultimately important.

Tallink's Safety Management System adheres to the ISM (International Safety Management), ISPS (International Ship Port Facility Security) Codes and the requirements according to the ISO 14001 environmental management standard in order to guarantee the operations of the ships and onshore organisation prevent accidents, loss of human lives and environmental damages caused to marine environment. Safety Management System is audited by Lloyds Register and Estonian, Swedish, Latvian, and Finnish Maritime Administrations.

The safety management operations of the Group aim at maintaining and developing safe procedures for ships and creating a safe ship environment for both the crew and passengers. Crew's safety management skills are continuously developed, tested and practiced during drills and exercises in cooperation with authorities. These skills are improved by identifying the known risk factors and areas, and practicing related procedures. In addition, crew environmental safety awareness is continuously improved.

The objective of the Group's Safety Management System is to ensure that the valid rules and requirements set out by IMO (International Maritime Organization) maritime authorities, certification bodies and other maritime organizations as well as their applicable regulations and standards are adhered to.

Ships masters are responsible for the onboard safety and security operations of the ships managed by the Group. The task of the onshore organization is to supervise, support and develop safety and security work.

All the Group vessels carry lifesaving equipment which meets the highest safety standards and are always ready for use. Nevertheless the Group's highest-level nautical and good-seamanship practices together with top-level safety and security organisations are designed to prevent situations where all this safety equipment could be put in use.



## ENVIRONMENT

### ENVIRONMENTAL & CORPORATE SOCIAL RESPONSIBILITY

The Group recognises that environmental protection and management is one of its highest priorities. Every effort is to be made to conserve and protect the environment from marine and atmospheric pollution and any other form of pollution, including office-based waste.

The maintenance and operations of the Group vessels is conducted in accordance with the MARPOL convention (the International Convention for the Prevention of Pollution from Ships). This ensures that air and sea pollution is kept to the lowest practicable levels.

The Group operates a zero spill policy. The Group's objective is to eliminate the possibility of pollution at the source by ensuring high standards of safety and awareness are maintained and that all relevant legislation and conventions are followed for both its sea and shore activities. Additionally the Group is committed to the continual improvement of the methods that are used to carry out and achieve this objective, including the use of equipment and practices that minimises waste generation.

#### ***Selection of international certificates for the Group companies:***

- ISO 14001:2004 environmental certificate by Lloyds Register
- MARPOL Sewage Pollution Prevention Certificate
- MARPOL Air Pollution Prevention Certificate
- IAFS International Anti-Fouling System Certificate
- MARPOL Oil Pollution Prevention Certificate
- Document of Compliance for Anti-fouling System
- MARPOL Garbage Pollution Prevention Attestation
- Document of Compliance by Lloyds Register
- Document of Compliance by Estonian Maritime Administration
- Document of Compliance by Finnish Maritime Administration
- Document of Compliance by Swedish Maritime Administration
- Document of Compliance by Latvian Maritime Administration

As a major tax-payer in Estonia, Finland and Sweden, the Group believes that financial success can only be guaranteed through responsible and sustainable development. Therefore, each year, the Group gives a significant share of its success back to society and the environment in which the company operates.

The Group entities are actively involved in supporting many public initiatives and events, especially youth and sports organisations. Being one of the largest Estonian companies in terms of its number of employees, it has also always been the goal to motivate Group employees to participate in social events for the sake of the environment or society.

There are many areas in which the Group is supporting and sponsoring, the environment, children and young people and sports are the major areas which are considered to be most important in all the countries in which Tallink has its operations.

A more detailed overview and policies regarding the environment and social responsibility activities are provided in the Group's Environmental and Corporate Social Responsibility Report.



## CORPORATE GOVERNANCE

This report is made in accordance with the Estonian Accounting Act and gives an overview of the governance of AS Tallink Grupp and its compliance with the requirements of the Corporate Governance Recommendations (CGR) of the NASDAQ OMX Tallinn Stock Exchange. The Group follows most CGR except where indicated otherwise in this report.

### ORGANISATION AND ADMINISTRATION

Pursuant to the Commercial Code and the Articles of Association of AS Tallink Grupp (the Company), the right of decision and the administration of the company are divided between the shareholders represented by the shareholders' general meeting, the supervisory council and the management board.

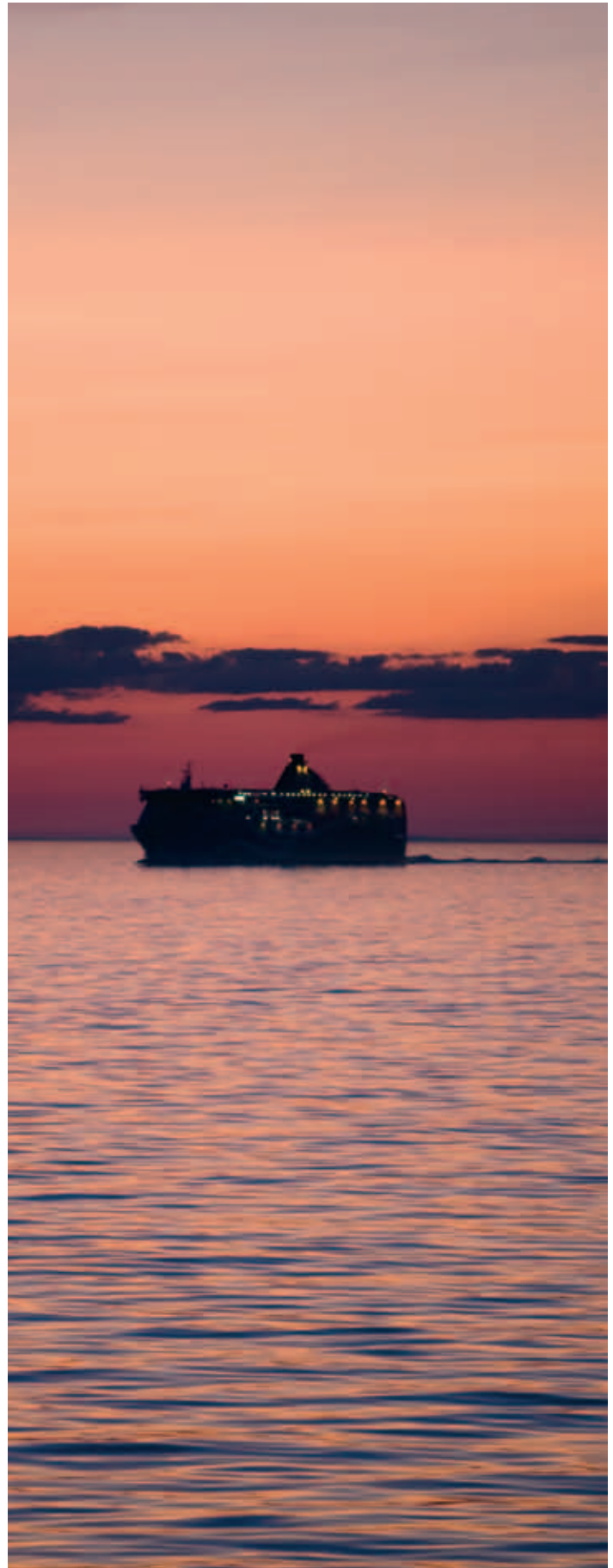
### SHAREHOLDERS' GENERAL MEETING

The Company's highest governing body is the shareholders' general meeting. The primary duties of the general meeting are to approve the annual report and the distribution of dividends, elect members to the supervisory council and recall members of the supervisory council, elect auditors, pass resolutions on any increase or decrease in share capital, change the Articles of Association and the other issues, which are the responsibility of the general meeting of shareholders by the law. According to the law the Articles of Association can be amended only by the shareholders' general meeting. In such a case it is required that 2/3 of the participating votes are for it.

Every shareholder or his/her proxy with a relevant written power of attorney may attend the general meeting, discuss about the items in the agenda, ask questions and make proposals.

The Group publishes a notice of an annual general meeting and extraordinary general meeting at least three weeks in advance in a national daily newspaper, thru the stock exchange disclosure system and at the Company's website [www.tallink.com](http://www.tallink.com). The notice includes information on where the annual report will be held.

The meeting agenda, board proposals and drafts of the decisions, comments and related materials will be all made available to the shareholders before the general meeting on the Company's website and through the information disclosure system of the stock exchange. The shareholders may ask questions before the general meeting by sending an email to [info@tallink.ee](mailto:info@tallink.ee)



## CORPORATE GOVERNANCE

The Company has not made it possible to observe and attend at the general meetings through electronic channels as there has not been any need for it (CGR 1.3.3).

In the reporting period AS Tallink Grupp held the annual general meeting on 26 January 2009. The meeting was attended by the management board members Enn Pant, Andres Hunt, Keijo Mehtonen and Lembit Kitter. The Supervisory Council members present were Toivo Ninnas, Kustaa Äimä, Ain Hanschmidt, Eve Pant, and Kalev Järvelill. The meeting was attended also by the Company's auditor Andres Root. The chairman of the meeting was Aare Raig. The meeting was held in Estonian language. The shareholders represented at the annual general meeting 395,688,380 votes being 58.72% of the all votes.

The annual general meeting was not attended by supervisory council member Sunil Kumar Nair due to the other business commitment (CGR 1.3.2).

There were no extraordinary general meetings during the 2008/2009 financial year.

### THE SUPERVISORY COUNCIL

The supervisory council engages in oversight and longer-term management activities such as supervising the management board and approving business plans acting in the best interest of all shareholders. No residency requirements apply to the members of the supervisory council. The supervisory council reports to the general meeting of shareholders.

The supervisory council consists of 5 to 7 members. Members of the supervisory council are elected for periods of three years at a time. The supervisory council elects one of its members as chairman. In order to elect a member to the supervisory council his or her written consent is needed. The general meeting of the shareholders may recall any supervisory council member without a reason. Such a decision requires 2/3 of the votes represented at the general meeting. The member of the supervisory council can resign without a reason, informing the general meeting of the shareholders about the resignation.

The supervisory council is responsible for the supervision of administration of the Company and the appropriate organization of its operations. The supervisory council determines the principles for the Company's strategy, organization, annual operating plans and budgets, financing and accounting. The supervisory council elects the members

of the management board and determines their salaries and benefits.

The supervisory council has at present six members: Mr. Toivo Ninnas – Chairman, Ms. Eve Pant, Mr. Ain Hanschmidt, Mr. Lauri Kustaa Äimä, Mr. Ashwin Roy and Mr. Kalev Järvelill. The supervisory council members have the knowledge and experience necessary to fulfil their council member duties following the Corporate Governance Recommendations and legislation.

The supervisory council meetings are being held according to the needs, but at least once in every three months. The supervisory council convened eight times during the 2008/2009 financial year. The Company's operations, development, strategies, targets and the budget were discussed.

The supervisory council members avoid the conflicts of interest and observe the prohibition on competition. The supervisory council and management board work closely for the best for the Company's and its shareholders' interest acting in accordance with the articles of the association. The confidentiality rules are being followed when exchanging the information. The supervisory council remuneration has been decided at the shareholders' general meeting on 17 January 2007. Accordingly, the chairman is remunerated with 30,000 EEK (1,900 EUR) per month and to the other members with 25,000 EEK (1,600 EUR) per month. There are no other benefits for the supervisory council members.

The direct shareholdings of the members of the supervisory council at the end of the 2008/2009 financial year:

Toivo Ninnas – 19,200 shares  
 Eve Pant – 530,000 shares  
 Ain Hanschmidt – 1,800,000 shares  
 Lauri Kustaa Äimä – 237,000 shares  
 Ashwin Roy - Does not have any shares  
 Kalev Järvelill – 1,276,800 shares

### THE MANAGEMENT BOARD

The management board is an executive body charged with the day-to-day management of the Company, as well as with representing the Company in its relations with third parties, for example by entering into contracts on behalf of the Company. The management board is independent in their decisions and follows the best interest of the Company's shareholders. The management board must adhere to the decisions of general

## CORPORATE GOVERNANCE

meeting of shareholders and lawful orders of the supervisory council. The management board ensures, at its best efforts, the Company's compliance with the laws and that the Company's internal audit and risk management procedures are functional.

The management board consists of 3 to 7 members. Members of the management board and the chairman of the management board are elected by the supervisory council for periods of three years at a time. In order to elect a member to the management board his or her written consent is needed. The chairman of the management board can propose to the supervisory council to appoint also a vice chairman of the management board, who in absence of the chairman fulfils the chairman's duties. Every member of the management board is entitled to represent the Company alone in any legal and business matter. According to the law the supervisory council can recall any management board member without a reason. The member of the management board can resign without a reason, informing the supervisory council about the resignation.

The management board has at present four members: Mr. Enn Pant – Chairman who's main field of responsibilities among the leading of the board is general and strategic management of the Group, Mr. Andres Hunt – Vice Chairman fulfils the chairman's duties in his absence and is also responsible for the Group's sales & marketing and legal matters, Mr. Janek Stalmeister, who was elected the member of the management board on 15.10.2009, is responsible for the financial and investor relations areas and Mr. Lembit Kitter is managing the Group's daily operations and development. The supervisory council has concluded service agreements with the members of the management board.

In the 2008/2009 financial year the remuneration of the members of the Group's management board totalled 14.1 million EEK (0.9 million EUR) compared to 27.8 million EEK (1.8 million EUR) in 2007/2008.

The remuneration for the management board is set by the supervisory council according to the CGR. The pays and benefits of the board members are not disclosed as the Group believes that for the investors such detailed information is insignificant and also outweighed by the possible harm and discomfort to the members of the management board from the disclosure of such sensitive private information. The Company does not want to disclose such information to its competitors (CGR 2.2.7).



## CORPORATE GOVERNANCE

Members of the management board avoid conflicts of interest and observe the prohibition on competition.

The direct shareholdings of the members of the management board at the end of the 2008/2009 financial year:

Enn Pant – 3,632,413 shares

Keijo Erkki Mehtonen – 3,114,400 shares

*(not a member of the management board since 15.10.2009)*

Andres Hunt – 822,000 shares

Lembit Kitter – Does not have any shares

Janek Stalmeister – 20 400 shares

### THE AUTHORITY OF THE MEMBERS OF MANAGEMENT BOARD TO ISSUE SHARES AND TO ACQUIRE THE SHARES

According to the decision of General Meeting on 26.01.2009 the Company is granted the right to acquire its own shares subject to the following conditions:

- 1) The company is entitled to acquire own shares within five years as from the adoption of this resolution.
- 2) The total nominal value of the shares owned by the company shall not exceed 10 % of the share capital.
- 3) The price payable for one share shall not be more than the highest price paid at Tallinn Stock Exchange for the share of AS Tallink Grupp at the day when the share is acquired.
- 4) Own shares shall be paid for from the assets exceeding the share capital, mandatory legal reserve and issue premium.

Management Board has no right to issue the Company shares.

### DISCLOSURE OF INFORMATION

The Company follows the CGR in its information disclosure procedures and treats all shareholders equally. All the released information is published on the Company's and Tallinn Stock Exchange websites in Estonian and English languages.

Meetings with investors have been arranged on an ad hoc basis as and when requested by the investors. The information shared in the meetings is limited to already disclosed data. The Company has published the times and locations of

significant meetings with investors. The presentation addressed to investors is available at the Company's website. However, the Group does not meet the recommendation to publish the time and location of each individual meeting with the investor and to allow all of the Group's shareholders to participate in these events as it would be impractical and technically difficult to arrange (CGR 5.6).

### FINANCIAL REPORTING AND AUDITING

Preparation of financial reports and statements is the responsibility of the Company's management board. The consolidated financial statements of the Company are prepared in accordance with International Financial Reporting Standards (IFRSs) and following also the Estonian regulations. The company issues quarterly interim financial reports and the annual report.

The Company's annual report will be audited and then approved by the supervisory council. The annual report with the written report from the supervisory council will be sent to shareholders' general meeting for the final approval

### SUBSTANTIAL SHAREHOLDERS

Infortar AS	269,576,164 shares	40.01 %
ING Luxembourg S.A.	67,850,776 shares	10.07 %

The related party transactions are disclosed in the notes to the financial statements.

In the notice of shareholders' general meeting the candidate of auditor is provided. The Company has observed the auditors' rotation requirement. The auditing fees are set in the agreement concluded between the Company and the auditor where also the responsibilities of the auditors are included.

To the knowledge of the Company the auditors have fulfilled their contractual obligations and have audited the Company in accordance with the International Standards on Auditing.

The financial statements of the 2008/2009 financial year are audited by KPMG Baltics.

## SUPERVISORY COUNCIL &amp; MANAGEMENT BOARD

**TOIVO NINNAS**

Chairman  
of the AS Tallink Grupp  
Supervisory Council  
since June 9, 1997

**KALEV JÄRVELILL**

Member  
of the AS Tallink Grupp  
Supervisory Council  
since January 17, 2007

**AIN HANSCHMIDT**

Member  
of the AS Tallink Grupp  
Supervisory Council  
since February 5, 2005

Chairman  
of the Management Board,  
AS Infortar

**EVE PANT**

Member  
of the AS Tallink Grupp  
Supervisory Council  
since October 10, 1997

Member  
of the Management Board,  
AS Infortar

**ASHWIN ROY**

Member  
of the AS Tallink Grupp  
Supervisory Board  
since 26 January 2009

Director  
at Citi Venture Capital  
International

**LAURI KUSTAA ÄIMÄ**

Member  
of the AS Tallink Grupp  
Supervisory Council  
since May 16, 2002

Managing Director  
at Kaima Capital Oy

**ENN PANT**

Chairman  
of the Management Board

Chief Executive Officer

**ANDRES HUNT**

Vice Chairman  
of the Management Board

**JANEK STALMEISTER**

Member  
of the Management Board

Chief Financial Officer

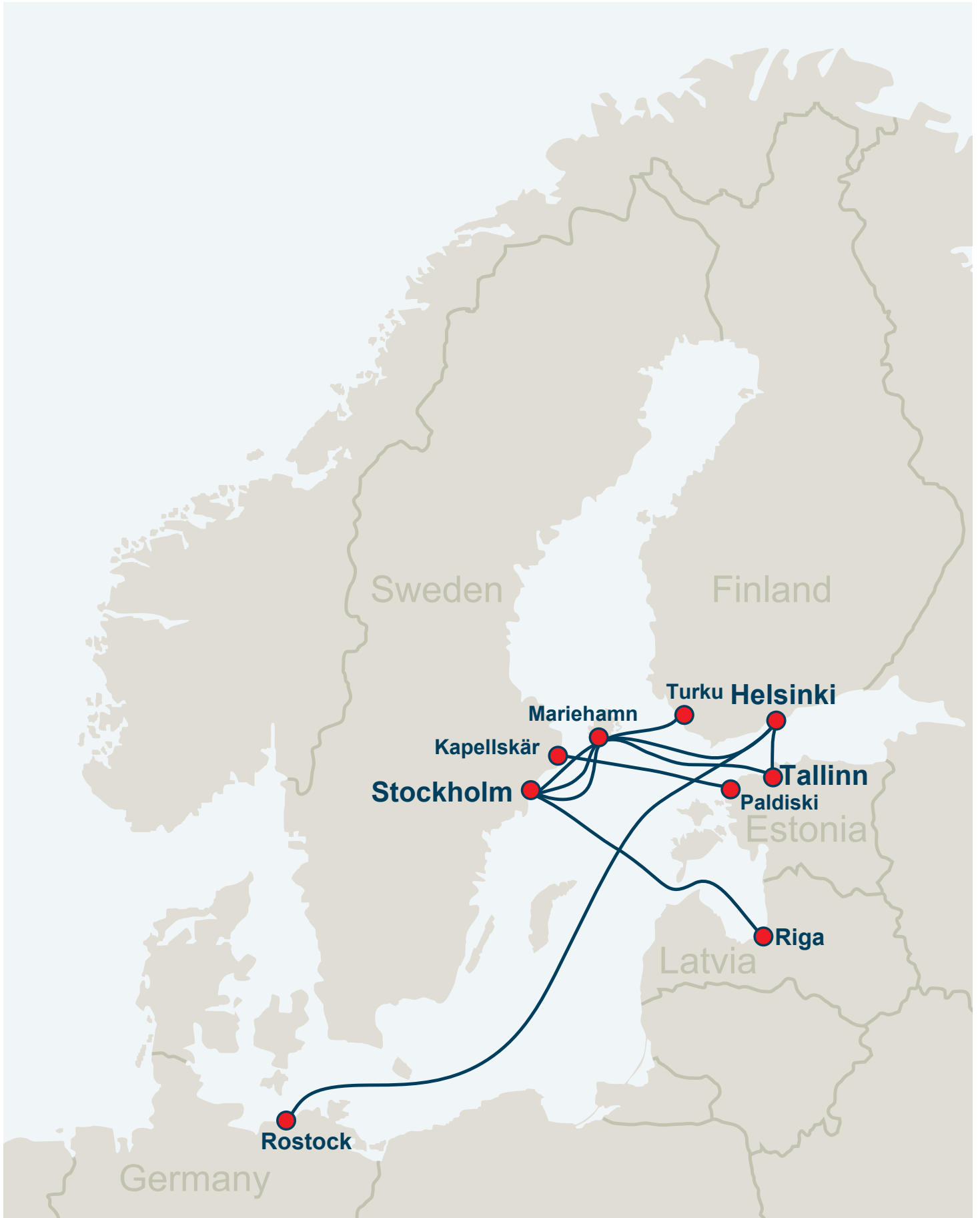
**LEMBIT KITTER**

Member  
of the Management Board

General Director



# ROUTE MAP



## TERMINALS

ESTONIA	<p><b>TALLINN</b> Tallinn Passenger Port D-Terminal</p> <ul style="list-style-type: none"> <li>• M/S Superstar</li> <li>• M/S Star</li> <li>• M/S Baltic Princess</li> <li>• M/S Victoria I</li> <li>• M/S Baltic Queen</li> </ul>	SWEDEN	<p><b>STOCKHOLM</b> Port of Stockholm Frihamn Terminal</p> <ul style="list-style-type: none"> <li>• M/S Romantika</li> <li>• M/S Silja Festival</li> </ul>
	<p><b>PALDISKI</b> South Harbour</p> <ul style="list-style-type: none"> <li>• M/S Regal Star</li> </ul>		<p><b>STOCKHOLM</b> Port of Stockholm Värtahamn Terminal</p> <ul style="list-style-type: none"> <li>• M/S Silja Serenade</li> <li>• M/S Silja Symphony</li> <li>• M/S Silja Europa</li> <li>• M/S Galaxy</li> <li>• M/S Sea Wind</li> <li>• M/S Victoria I</li> <li>• M/S Baltic Queen</li> </ul>
FINLAND	<p><b>HELSINKI</b> West Harbour</p> <ul style="list-style-type: none"> <li>• M/S Superstar</li> <li>• M/S Star</li> <li>• M/S Baltic Princess</li> <li>• M/S Superfast VII</li> <li>• M/S Superfast VIII</li> </ul>	ÅLAND	<p><b>KAPPELLSKÄR</b> Port of Kapellskär</p> <ul style="list-style-type: none"> <li>• M/S Regal Star</li> </ul>
	<p><b>HELSINKI</b> South Harbour Olympia Terminal</p> <ul style="list-style-type: none"> <li>• M/S Silja Serenade</li> <li>• M/S Silja Symphony</li> </ul>		<p><b>MARIEHAMN</b> West Harbour</p> <ul style="list-style-type: none"> <li>• M/S Victoria I</li> <li>• M/S Baltic Queen</li> <li>• M/S Silja Serenade</li> <li>• M/S Silja Symphony</li> <li>• M/S Silja Europa</li> <li>• M/S Galaxy</li> </ul>
	<p><b>TURKU</b> Passenger Harbour Silja Terminal</p> <ul style="list-style-type: none"> <li>• M/S Silja Europa</li> <li>• M/S Galaxy</li> <li>• M/S Sea Wind</li> </ul>		<p><b>MARIEHAMN</b> Port of Långnäs</p> <ul style="list-style-type: none"> <li>• M/S Sea Wind</li> <li>• M/S Silja Europa</li> <li>• M/S Galaxy</li> </ul>
GERMANY	<p><b>ROSTOCK SEAPORT</b> Superfast Ferries Terminal</p> <ul style="list-style-type: none"> <li>• M/S Superfast VII</li> <li>• M/S Superfast VIII</li> </ul>	LATVIA	<p><b>RIGA</b> Riga Passenger Port</p> <ul style="list-style-type: none"> <li>• M/S Romantika</li> <li>• M/S Silja Festival</li> </ul>

## VESSELS AND OTHER INVESTMENTS

The Group's main revenue generating assets are vessels, which account for approximately 88% of total assets. At the end of

the financial year, the Group owned 20 vessels. Their types and operations are described in the table below:

<i>Vessel Name</i>	<i>Vessel type</i>	<i>Built / Converted</i>	<i>Route</i>	<i>Remark</i>
<b>Baltic Princess</b>	Cruise ferry	2008	Finland-Estonia	overnight cruise
<b>Superstar</b>	High-speed ro-pax	2008	Finland-Estonia	shuttle service
<b>Star</b>	High-speed ro-pax	2007	Finland-Estonia	shuttle service
<b>Galaxy</b>	Cruise ferry	2006	Finland-Sweden	overnight cruise
<b>Silja Europa</b>	Cruise ferry	1993	Finland-Sweden	overnight cruise
<b>Silja Symphony</b>	Cruise ferry	1991	Finland-Sweden	overnight cruise
<b>Silja Serenade</b>	Cruise ferry	1990	Finland-Sweden	overnight cruise
<b>Sea Wind</b>	Ro-pax	1972/1989	Finland-Sweden	cargo transportation
<b>Baltic Queen</b>	Cruise ferry	2009	Sweden-Estonia	overnight cruise
<b>Victoria I</b>	Cruise ferry	2004	Sweden-Estonia	overnight cruise
<b>Regal Star</b>	Ro-ro cargo vessel	1999	Sweden-Estonia	cargo transportation
<b>Romantika</b>	Cruise ferry	2002	Sweden-Latvia	overnight cruise
<b>Silja Festival</b>	Cruise ferry	1986	Sweden-Latvia	overnight cruise
<b>Superfast VII</b>	High-speed ro-pax	2001	Finland-Germany	transportation
<b>Superfast VIII</b>	High-speed ro-pax	2001	Finland-Germany	transportation
<b>Superfast IX</b>	High-speed ro-pax	2002	in charter since 2008	renamed as "Atlantic Vision"
<b>Tallink AutoExpress 2</b>	High-speed craft	1997	in charter	sold in Oct. 2009
<b>Regina Baltica</b>	Cruise ferry	1980	available for charter	
<b>Vana Tallinn</b>	Cruise ferry	1974	available for charter	
<b>Kapella</b>	Ro-ro cargo vessel	1974	available for charter	

As of 31 August 2009 the value of the ships amounted to 26,841 million EEK (1,716 million EUR). The Group's vessels are regularly valued by 2-3 independent international ship brokers who are also approved by the lenders & mortgagees.

The Group has no new vessels under construction.

All of our vessels have protection and indemnity insurance (P&I), hull and machinery insurance (H&M) and they meet all

applicable safety regulations. In addition to the economic benefits of the upgrade of the fleet through new vessel investments, the Group is now employing one of the most environment friendly fleets as the vessels are equipped with the latest available machinery and technology.

The Group does not have any substantial ongoing research and development projects.



## FLEET

**BALTIC QUEEN**

Built	2009
Length	212.1 m
Passengers	2800
Lanemetres	1130
Ice class	1 A Super

**SUPERSTAR**

Built	2008
Length	175.1 m
Passengers	2080
Lanemetres	1930
Ice class	1 A

**BALTIC PRINCESS**

Built	2008
Length	212.1 m
Passengers	2800
Lanemetres	1130
Ice class	1 A Super

**STAR**

Built	2007
Length	186 m
Passengers	1900
Lanemetres	2000
Ice class	1 A

**GALAXY**

Built	2006
Length	212.1 m
Passengers	2800
Lanemetres	1130
Ice class	1 A Super

## FLEET

**VICTORIA I**

Built	2004
Length	193.8 m
Passengers	2500
Lanemetres	1000
Ice class	1 A Super

**SILJA EUROPA**

Built	1993
Length	201.8 m
Passengers	3123
Lanemetres	932
Ice class	1 A Super

**ROMANTIKA**

Built	2002
Length	193.8 m
Passengers	2500
Lanemetres	1000
Ice class	1 A Super

**SILJA SYMPHONY**

Built	1991
Length	202.9 m
Passengers	2852
Lanemetres	950
Ice class	1 A Super

**SILJA FESTIVAL**

Built	1986 / 1992
Length	170.7 m
Passengers	2023
Lanemetres	885
Ice class	1 A Super

**SILJA SERENADE**

Built	1990
Length	202.9 m
Passengers	2852
Lanemetres	950
Ice class	1 A Super



### REGINA BALTICA

Built	1980
Length	145.2 m
Passengers	1500
Lanemetres	780
Ice class	1 A



### REGAL STAR

Built	1999
Length	149.9 m
Passengers	80
Lanemetres	2087
Ice class	1 A



### VANA TALLINN

Built	1974
Length	153.8 m
Passengers	800
Lanemetres	650
Ice class	1 B



### SEA WIND

Built	1972 / 1984 / 1989
Length	155.0 m
Passengers	260
Lanemetres	1050
Ice class	1 B



### SUPERFAST VII / VIII / IX

Built	2001 / 2001 / 2002
Length	203.3 m / 203.3 m / 203.3 m
Passengers	717 / 717 / 728
Lanemetres	1900
Ice class	1 A Super



### KAPELLA

Built	1974
Length	110.1 m
Passengers	50
Lanemetres	663
Ice class	1 B

## SHARES AND SHAREHOLDERS

As of August 31, 2009 AS Tallink Grupp had total of 673,817,040 shares outstanding. There were no changes to the share capital during the 2008/2009 financial year.

All the shares are of the same kind and each share carries one vote at the shareholders' general meeting. The par value of one share is 10 EEK (0.639 EUR). No preference shares or shares with special rights have been issued. According to the articles of association AS Tallink Grupp shares can be freely transferred. No authorization shall be obtained in order to buy or sell AS Tallink Grupp shares.

As a result of share buybacks carried out in during the period of December 2007-January 2008 the Group owns 3,935,000 own shares which represent 0.584% of the total share capital.

On January 29, 2008 the Annual General Meeting of AS Tallink Grupp among other things set the main terms of the share

option program and in relation the Group is authorized to acquire its own shares. The maximum amount of own shares that can be acquired shall not exceed 10% of the total share capital and the maximum price per share shall not exceed the highest price paid at the market on the respective day. No share buyback has occurred since January 29, 2008. The Group has not issued any share options.

The Management Board of AS Tallink Grupp is not granted with the right to issue new shares. According to the resolution of the General meeting of AS Tallink Grupp of January 26, 2009 the Supervisory Council is within two years as from March 1, 2009 entitled to increase the share capital of AS Tallink Grupp by not more than 400 million EEK (25.6 million EUR). The maximum share capital thereafter shall not exceed 7,138 million EEK (456.2 million EUR). By the reporting date the Supervisory Council has not exercised its entitlement.

The table below presents the distribution of share capital by size of share ownership as at 31 August 2009:

<i>Ownership size</i>	<i>No. of shareholders</i>	<i>% of shareholders</i>	<i>No. of shares</i>	<i>% of share capital</i>
1 - 99	600	4.93%	27,840	0.00%
100 - 999	3,580	29.42%	1,664,347	0.25%
1,000 - 9,999	7,125	58.55%	14,572,848	2.16%
10,000 – 99,999	735	6.04%	17,410,398	2.58%
100,000 – 999,999	91	0.75%	27,294,622	4.05%
1,000,000 – 9,999,999	32	0.26%	91,042,453	13.51%
10,000,000 +	7	0.06%	521,804,532	77.44%
<b>TOTAL</b>	<b>12,170</b>	<b>100.00%</b>	<b>673,817,040</b>	<b>100.00%</b>

As of 31 August 2009, 6.5% of the Group's shares were held by individuals.

SHARES AND SHAREHOLDERS

**TRADING**

The shares of AS Tallink Grupp are traded on the NASDAQ OMX Tallinn Stock Exchange under the symbol TAL1T (REUTERS: TAL1T.TL , BLOOMBERG: TAL1T ET).

During the 2008/2009 financial year, there were transactions with 131,824,854 shares of AS Tallink Grupp on Tallinn Stock Exchange. The highest daily average share price on Tallinn Stock Exchange was 10.95 EEK (0.70 EUR) and the lowest daily

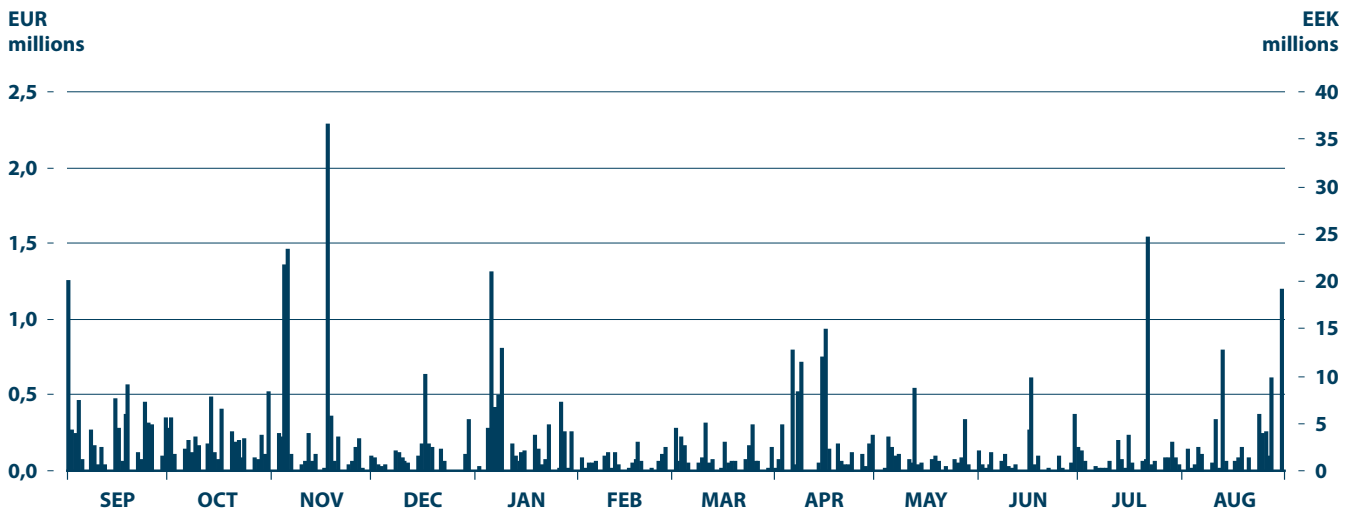
average share price was 4.22 EEK (0.27 EUR). The weighted average share price in the 2008/2009 financial year was 5.77 EEK (0.37 EUR). The average daily turnover of the trade with AS Tallink Grupp shares on Tallinn Stock Exchange was 3.1 million EEK (0.2 million EUR).

The following table gives an overview of the share price performance and trading on Tallinn Stock Exchange during the period of 1 September 2008 to 31 August 2009.

**TRADING PRICE**



**DAILY TURNOVER**



## SHARES AND SHAREHOLDERS

The table below presents the 10 largest shareholders of the Group as at 31 August 2009:

<i>Shareholder</i>	<i>No. of shares</i>	<i>%</i>
INFORTAR AS	269,576,164	40.01%
ING LUXEMBOURG S.A.	67,850,776	10.07%
NORDEA BANK FINLAND PLC/ NON-RESIDENT LEGAL ENTITIES	66,335,580	9.84%
CITIGROUP VENTURE CAPITAL INTERNATIONAL JERSEY LIMITED	49,231,000	7.31%
STATE STREET BANK AND TRUST OMNIBUS ACCOUNT A FUND NO OM01	41,616,357	6.18%
SKANDINAVISKA ENSKILDA BANKEN AB CLIENTS	15,594,655	2.31%
JP MORGAN CHASE BANK/ITS LONDON CLIENT'S ACCOUNT VANGUARD MARKETING CORPORATION	11,600,000	1.72%
FIREBIRD REPUBLICS FUND LTD	8,283,788	1.23%
BNYM / ING BANK SLASKI AC LM AKCJI FIO	8,105,000	1.20%
FIREBIRD AVRORA FUND, LTD.	7,444,654	1.10%

### SHAREHOLDERS' AGREEMENT

Major shareholders of the Group have entered into the shareholders agreement on August 2006. The main terms of the agreement are published at the Group's website. The agreement sets forth among the other terms that the parties of the agreement and each shareholder of Tallink shall remain independent in their decisions and shall not be restricted by the agreement or otherwise, directly or indirectly, to exercise their voting rights or any other powers available to them, in the manner which, in its own opinion, best complies with its duties under Estonian laws, any Rules of Tallinn Stock Exchange or the Corporate Governance Recommendations.

### TAKEOVER BIDS

The Group has not concluded any agreement with its management or employees that contain the provisions of compensation payment in case of takeover bid.

### DIVIDENDS

The Group's strong expansion and growth have been achieved due to significant investments in the recent past. To support these investments, no dividends have been paid and the profits have been reinvested which has resulted in strong shareholders' equity. Additionally, the Group's policy has been to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

No dividends were paid for the 2007/2008 financial year. In 2008/2009 financial year the management continued with the policy of a high priority being placed on investment and the scheduled repayments of the bank loans.

The recession and surrounding uncertainties are increasing the management attention in order to ensure smooth continuous operations. The liquidity at the balance sheet date was lower than usual to approach the low season. It was has thus agreed with the international lenders that the Group's original loan repayments will be reduced by approximately 940 million EEK (60 million EUR) per year for the next two years. The repayment restructuring reduces significantly the liquidity risks and gives more flexibility for the Group to maintain sufficient working capital to meet its present and future needs. At the same it was also agreed that the Group will keep its highest priority on the loan repayments and the dividend payments shall be agreed with the lenders until the Group repays the deferred amounts which were restructured.

The management board will propose at the shareholders' general meeting that earnings be retained and no dividends be distributed.

## CORPORATE STRUCTURE

**AS TALLINK GRUPP**

Holding company, Estonia-Finland and Estonia-Sweden route operator, sales and marketing in Estonia, general administration

<b>Tallink Silja Oy</b> Finland-Sweden routes operator Sales & Marketing in Finland	<b>AS Tallink Duty Free</b> Supply of goods for ships	<b>18 Ship-owning Companies</b>
<b>Tallink Silja AB</b> Sales & Marketing in Sweden	<b>OÜ Hansaliin</b> Onboard personnel crewing	<b>13 Other Companies</b>
<b>AS Tallink Latvija</b> Sales & Marketing in Latvia	<b>OÜ HT Laevateenindus</b> Technical ship management and crewing	
<b>OOO Tallink-Ru</b> Sales & Marketing in Russia	<b>AS HTG Invest</b> Stevedoring services	
<b>Silja Line GmbH</b> Sales Agent in Germany	<b>HTG Stevedoring Oy</b> Stevedoring services	
<b>AS Tallink Baltic</b> Finland-Germany route operator	<b>OÜ TLG Hotell</b> Operator of hotels	
<b>AS Tallink</b> Riga-Stockholm route operator	<b>OÜ Hera Salongid</b> Beauty services	
	<b>OÜ HT Hulgi Tolliladu</b> Public customs warehouse	
	<b>OÜ HT Meelelahutus</b> Entertainment on ships	
	<b>OÜ Tallink Travel Club</b> Travel services	

On the report date the Group consisted of 50 companies. Most of the subsidiaries are wholly-owned companies of AS Tallink Grupp.

The Group Swedish entities SeaWind Line Ab and Tallink Sve-rige Ab were merged into Tallink Silja Ab in Sweden. The Group Estonian entities OÜ TLG Meedia, OÜ TDF Kommerts, AS V.S. & I and Silja Line Eesti AS were merged into other Group companies. The Group entities Eff-Shipping Ltd, EffJohn International and Suomen Jakelutiet Oy have been liquidated.

The above transactions were made to simplify the Group structure and have no effect to the Group operations or result.

After the balance sheet date the Group established a 100% subsidiary SIA TLG Hotel Latvia to be the operating company of the new hotel which operation will be started in Riga in 2010.

**The Group further owns:**

- 34% of AS Tallink Takso





## REPORT OF THE MANAGEMENT BOARD

During the 2008/2009 financial year (01.09.2008 - 31.08.2009) the volume of passengers transported by the Group vessels exceeded 8 million which is 14.9% more than in the previous financial year. This has added noticeable fundamental strength to the Group business and has created base for future improvement. The revenues increased by 0.8% to 12,389 million EEK (791.9 million EUR).

The Group operations were affected by the global recession. As a consequence the cargo volumes decreased significantly and also the revenues per passenger were lower. However, thanks to the significantly increased passenger volumes the revenues from passenger operations increased in overall and compensated the decreasing factors.

The Group took a delivery of its last new cruise ferry - M/S Baltic Queen, ending the 7-year fleet renewal program. Thus the investments during the 2008/2009 financial year amounted to 2,550 million EEK (163 million EUR). M/S Baltic Queen started the service between Tallinn-Stockholm in the end of April 2009.

The Group was able to show cost effectiveness in the operations. The EBITDA increased by 5.8% to 2,083 million EEK (133.1 million EUR). After revaluation of financial derivatives and increased depreciation the net loss of the Group amounted to 128 million EEK (8.2 million EUR).

**The most significant events in the 2008/2009 financial year were the following:**

- Reduction of capacity on Finland-Germany route by chartering out M/S Superfast IX
- Delivery and successful launch of M/S Baltic Queen
- Re-routing of M/S Romantika to Riga-Stockholm route
- Cost savings activities

The following tables provide an overview of sales on a geographical and operational segment based approach.

Geographical segments	08/09	07/08
Finland - Sweden	44.3%	43.3%
Estonia - Finland	27.5%	26.1%
Estonia - Sweden	11.4%	12.4%
Finland - Germany	4.6%	9.0%
Latvia - Sweden	5.9%	4.5%
Mainland business and lease of vessels	6.4%	4.7%

### SALES

Consolidated net sales amounted to 12,390.0 million EEK (791.9 million EUR) in the 2008/2009 financial year (1 September 2008 – 31 August 2009) compared to 12,296.0 million EEK (785.9 million EUR) in the 2007/2008 financial year (1 September 2007 – 31 August 2008).

The largest sales growth of 33% was achieved in the Group's newest Riga-Stockholm route where the sales reached total of 725.9 million EEK (46.4 million EUR). The sales increased also in the Finland-Estonia, Finland-Sweden, mainland and other segment. Due to the weak cargo transportation and reduction of the capacity the sales decreased in Finland-Germany route by more than 49% to 567.4 million EEK (36.3 million EUR).

In the operational segments, the largest increase by 601.3 million EEK (38.4 million EUR) or 10% during the 2008/2009 financial year was in the restaurant and shop sales, as a result of the increased passenger volumes. Half of that increase was delivered in the fourth quarter which is the peak season in passenger operations. The ticket sales increased by 95.6 million EEK (6.1 million EUR). The Group's cargo sales decreased by 814.9 million EEK (52.1 million EUR) mostly as a consequence of the weak macroeconomics globally.

As a result of the different dynamics in the passenger related revenues compared to the cargo revenues the revenues structure has changed. The most noticeable is the drop of the Finland-Germany and cargo revenue proportion in the total Group revenues.

Operational segments	08/09	07/08
Restaurant and shop sales on-board and on mainland	54.1%	49.6%
Ticket sales	25.4%	24.9%
Sales of cargo transportation	13.5%	20.3%
Accommodation sales	1.3%	1.2%
Income from leases of vessels	2.1%	1.3%
Other sales	3.6%	2.7%

## REPORT OF THE MANAGEMENT BOARD

From the external factors the Swedish Krona (SEK) and Euro exchange rate has impacted the Group's sales. Onboard the ships the Group is selling the products in the currencies of the both countries departure and destination. Hence, on the ships operating to and from Sweden portion of the sales are in SEK. The SEK/EUR and thereby also SEK/EEK exchange rate was highly volatile during the 2008/2009 financial year, being at the lowest point nearly 25% weaker compared to the previous financial year. The estimated negative impact to the Group sales from weak SEK/EUR exchange rate was nearly 313 million EEK (20 million EUR).

### EARNINGS

During the 2008/2009 financial year the Group's gross profit increased by 11.0 million EEK (0.7 million EUR) to 2,577.9 million EEK (164.8 million EUR), EBITDA increased by 114 million EEK to 2,083 million EEK (133.1 million EUR) and the net profit decreased by 431.8 million EEK (27.6 million EUR) from 303.9 million EEK (19.4 million EUR) to net loss of 127.9 million EEK (8.2 million EUR). Basic earnings per share and diluted earnings per share were -0.19 EEK (-0.01 EUR) in the 12 months of 2008/2009 financial year compared to 0.45 EEK (0.03 EUR) in the 2007/2008 financial year.

Related to the increased shops and restaurant sales the Group's largest cost group, cost of goods, increased by 423.5 million EEK (27.1 million EUR) to 2,724.8 million EEK (174.1 million EUR).

The drop in the fuel price, compared to the previous financial year, resulted fuel cost to decrease by 696.3 million EEK (44.5 million EUR). Portion of the fuel purchases for 2009 year was fixed with the fuel derivatives. During the 2008/2009 financial year the expenses from the fuel derivatives were 64 million EEK (4.1 million EUR) which resulted from the difference of the market price and agreed price. Also for the 2010 calendar year the Group has hedged a portion of the fuel price risk.

The Group personnel expenses increased by 0.1% to 2,566.7 million EEK (164.0 million EUR). The average number of employees for the 2008/2009 financial year was 6,853 (6,564 in 2007/2008).

The Group's administrative, general and marketing expenses, decreased by 162.7 million EEK (10.4 million EUR) in the 2008/2009 financial year.

The depreciation and amortisation of the Group assets increased by 130 million EEK (8.3 million EUR) mainly due to the new vessels MS Superstar, MS Baltic Princess and MS Baltic Queen.

The net financial expenses increased by 350.3 million EEK (22.4 million EUR) in the 2008/2009 financial year. Interest expenses decreased by 93.7 million EEK (6.0 million EUR) whereas the net of derivative transactions (interest rate swaps and fuel swaps) expenses increased by 408.6 million EEK (26.1 million EUR). This includes negative mark to market revaluation of the derivatives in amount of 219.9 million EEK (14.1 million EUR) which had no cash impact. The respective net cash flows from all interest and fuel derivatives during the 2008/2009 financial year were negative by 62.5 million EEK (4.0 million EUR).

The Group exposure to the credit risk, liquidity risk and market risks and the financial risk management activities are described in the notes to the financial statements.

## REPORT OF THE MANAGEMENT BOARD

### LIQUIDITY AND WORKING CAPITAL

Net operating cash flow increased by 567.2 million EEK (36.3 million EUR) to 2,279.3 EEK (145.7 million EUR) in the 2008/2009 financial year, primarily due to the improved operational results and the related structural changes in the working capital items.

Net cash flows used in investing activities amounted to 2,595.0 million EEK (165.8 million EUR) which is mainly related to the purchase of new cruise ferry M/S Baltic Queen.

During the 2008/2009 financial year, the Group received 2,427.2 million EEK (155.1 million EUR) from new borrowings and repaid its existing loans in total of 1,699.5 million EEK (108.6 million EUR).

As of 31 August 2009, the Group's cash and cash equivalents totalled 782.0 million EEK (50.0 million EUR). Most of the available credit facilities and liquidity sources are in use.

At the balance sheet date the liquidity was lower than usual. In the light of surrounding uncertainties, recession, decreased cargo volumes and the customers' changed spending behaviour it was agreed with all of the Group's international lenders that the Group's original loan repayment schedules are changed. The changes result in reduction of loan repayments during the next two financial years by approximately 940 million EEK (60 million EUR) per year. The repayment restructuring reduces significantly the Group's liquidity risks and gives more flexibility for the Group to maintain sufficient working capital to meet its present and future needs.

### CAPITAL RESOURCES

We finance our future investments with operating cash flows, debt and equity financing, and proceeds from potential disposals of assets. At 31 August 2009, the Group's debt as a percentage of capitalization (total debt and shareholders' equity) was 64% compared to 63% at 31 August 2008. The increase resulted from a 958.8 million EEK (61.2 million EUR) increase in debt and a 132.5 million EEK (8.5 million EUR) decrease in equity.

#### *Loans And Borrowings*

At the end of the 2008/2009 financial year, interest-bearing liabilities totalled 18,483.4 million EEK (1,181.3 million EUR), a 958.8 million EEK (61.3 million EUR) increase compared to the 17,524.6 million EEK (1,120.0 million EUR) interest bearing liabilities at the end of 2007/2008. In the reporting period, the Group took a 12-year loan of 2,253.1 million EEK (144 million EUR) to partially finance the purchase of M/S Baltic Queen and borrowed from overdraft limits to maintain the liquidity position. The Group repaid old loans of 1,699.5 million EEK (108.6 million EUR).

All interest bearing liabilities have been incurred in Euro-based currencies.

#### *Owners' Equity*

Consolidated equity decreased by 1.3% from 10,188.5 million EEK (651.2 million EUR) to 10,056.0 million EEK (642.7 million EUR), mainly on account of net loss for the financial year. At the end of the 2008/2009 financial year the Group's share capital amounted to 6,738,170,400 EEK (430,647,578 EUR). For further information about shares, please see the "Shares and Shareholders" section of this report.

## REPORT OF THE MANAGEMENT BOARD

### MARKET DEVELOPMENTS

The total number of passengers carried by the Group during the 2008/2009 financial year was 8.1 million, which is 14.9% higher than the in previous financial year. The number of cargo units carried by the Group's vessels was 252 thousand, a 23.9% decrease on the previous financial year. The

number of passenger cars increased by 28.5% and reached 863 thousand.

The following table provides an overview of transported passengers, cargo units and passenger vehicles in the 2008/2009 and 2007/2008 financial years.

<b>Passengers</b>	<b>2008/2009</b>	<b>2007/2008</b>	<b>Change</b>
Finland-Sweden	3,169,453	2,860,278	10.80%
Estonia-Finland	3,485,359	2,934,674	18.80%
Estonia-Sweden	850,098	772,811	10.00%
Latvia-Sweden	520,505	357,533	45.60%
Finland-Germany	99,146	144,968	-31.60%
<b>Total</b>	<b>8,124,561</b>	<b>7,070,264</b>	<b>14.90%</b>
<b>Cargo units</b>			
Finland-Sweden	87,627	102,949	-14.90%
Estonia-Finland	94,311	118,526	-20.40%
Estonia-Sweden	31,266	44,353	-29.50%
Latvia-Sweden	13,595	13,262	2.50%
Finland-Germany	25,227	52,059	-51.50%
<b>Total</b>	<b>252,026</b>	<b>331,149</b>	<b>-23.90%</b>
<b>Passenger vehicles</b>			
Finland-Sweden	181,130	164,059	10.40%
Estonia-Finland	528,681	363,194	45.60%
Estonia-Sweden	56,923	52,839	7.70%
Latvia-Sweden	68,757	51,652	33.10%
Finland-Germany	27,526	39,793	-30.80%
<b>Total</b>	<b>863,017</b>	<b>671,537</b>	<b>28.50%</b>

The following operational factors influenced traffic volumes development.

#### **Finland-Sweden:**

- M/S Galaxy, larger in it's capacity, operated on the Turku-Stockholm route instead of M/S Silja Festival.

#### **Estonia-Finland:**

- Since April 2008, the second Tallink Shuttle vessel Superstar operates between Tallinn and Helsinki
- In July 2008 new cruise ferry M/S Baltic Princess replaced the 2006 built M/S Galaxy which moved to Turku-Stockholm operations
- Since September 2008, the Superfast vessels are not performing the daily Tallinn-Helsinki roundtrip any more

#### **Estonia-Sweden:**

- New cruise ferry Baltic Queen started operations in 24 April 2009 and replaced smaller MS Romantika which consequently was moved to Riga-Stockholm route

#### **Latvia-Sweden:**

- M/S Silja Festival, larger in it's capacity, has replaced M/S Vana Tallinn
- M/S Romantika which is larger in capacity has replaced M/S Regina Baltica

#### **Finland-Germany:**

- The operations in the route are continued with two vessels instead of three as Superfast IX has stopped from September 2008 and is employed in the long-term charter

**REPORT OF THE MANAGEMENT BOARD*****The Group's market shares on routes operated during the 2008/2009 financial year were as follows:***

- The Group carried approximately 55% of the passengers and 53% of ro-ro cargo on the route between Tallinn and Helsinki
- The Group is the only provider of daily passenger transportation between Estonia and Sweden
- The Group is the only provider of daily passenger and ro-ro cargo transportation between Riga and Stockholm
- The Group carried approximately 55% of passengers and 33% of ro-ro cargo on the routes between Finland and Sweden
- The Group's approximate market share of passenger transportation on the route between Finland and Germany was 41% and the approximate market share of ro-ro cargo transportation was 9%

**OUTLOOK**

The Group has entered into a new phase. The significant investment program has ended with the delivery of last cruise ferry MS Baltic Queen. The Group's focus is now prioritized to re-a-lize results of the recent investments and repay the loans. It is also high priority to find better utilisation and improve the return on the vessels currently operating on the not so well performing Finland-Germany route. The Management is actively working towards the chartering or sale of the currently unemployed old vessels to improve the Group's cost effectiveness.

The dynamics in the customer spending and the short visibility in booking situation will continue to add uncertainties to the Group operations. The Group has currently fixed about 10% of both the fuel price and EUR/SEK exposure for the next year with the aim to increase the levels further. However, significant price movements in raw materials or currency exchange rates may have indirect impact to the customer behaviour or industry overall which cannot be estimated.

The Group's increased passenger levels have created strong fundamental base to move forward targeting the improvement in results. The Group continues to be the strong market leader in the region operating the most modern fleet. For the 2009/2010 financial year the Group is targeting net profit.

**Enn Pant**

Chairman of the Management Board





## CONSOLIDATED INCOME STATEMENT

in thousands of EUR

	2008/2009	2007/2008 <sup>1</sup>
Revenue	791,863	785,855
Cost of sales	-627,104	-621,802
<b>Gross profit</b>	<b>164,759</b>	<b>164,053</b>
Marketing expenses	-51,327	-54,388
Administrative expenses	-49,506	-56,841
Other income	356	12,748
Other expenses	-544	-1,173
<b>Results from operating activities</b>	<b>63,738</b>	<b>64,399</b>
Financial income	347	9,147
Financial expenses	-73,238	-59,650
Share of loss of associates	-483	-196
<b>Profit/-loss before income tax</b>	<b>-9,636</b>	<b>13,700</b>
Income tax	1,461	5,724
<b>Net profit/-loss for the financial year</b>	<b>-8,175</b>	<b>19,424</b>
Attributable to:		
Equity holders of the Parent	-8,175	19,424
<b>Basic and diluted earnings per share</b> (in EUR per share)	<b>-0.01</b>	<b>0.03</b>

<sup>1</sup> 2007/2008 statements are restated in relation to adoption of IFRIC 13 "Customer Loyalty Programmes"

## FINANCIALS

## CONSOLIDATED BALANCE SHEET

in thousands of EUR

	31.08.2009	31.08.2008 <sup>1</sup>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	49,982	66,710
Receivables	50,986	75,246
Prepayments	11,497	7,127
Derivatives	415	3,316
Inventories	19,015	22,911
	<b>131,895</b>	<b>175,310</b>
<b>Non-current assets</b>		
Investments in associates	0	142
Other financial assets and prepayments	490	492
Deferred income tax assets	13,259	12,773
Investment property	300	300
Property, plant and equipment	1,728,771	1,630,917
Intangible assets	72,523	78,357
	<b>1,815,343</b>	<b>1,722,981</b>
<b>TOTAL ASSETS</b>	<b>1,947,238</b>	<b>1,898,291</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Interest-bearing loans and borrowings	105,822	140,620
Payables	90,484	103,646
Deferred income	21,175	21,975
Derivatives	11,494	342
	<b>228,975</b>	<b>266,583</b>
<b>Non-current liabilities</b>		
Interest-bearing loans and borrowings	1,075,482	979,405
Deferred income tax liabilities	0	1,032
Other liabilities	85	105
	<b>1,075,567</b>	<b>980,542</b>
<b>Total liabilities</b>	<b>1,304,542</b>	<b>1,247,125</b>
<b>Equity</b>		
<b>Equity attributable to equity holders of the Parent</b>		
Share capital	430,648	430,648
Share premium	639	639
Reserves	71,862	73,566
Retained earnings	139,547	146,313
<b>Total equity attributable to equity holders of the Parent</b>	<b>642,696</b>	<b>651,166</b>
<b>Total equity</b>	<b>642,696</b>	<b>651,166</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,947,238</b>	<b>1,898,291</b>

<sup>1</sup> 2007/2008 statements are restated in relation to adoption of IFRIC 13 "Customer Loyalty Programmes"



## FINANCIALS

## CONSOLIDATED STATEMENT OF CASH FLOWS

in thousands of EUR

	<b>2008/2009</b>	<b>2007/2008</b>
<b>Cash flows from operating activities</b>		
Net profit/-loss for the financial year	-8,175	19,424
Adjustments:	140,029	106,221
Depreciation and amortisation	69,939	61,628
Net gain on disposals of property, plant and equipment	-77	-1,236
Net interest expense	52,140	57,758
Net expense from derivatives	19,271	-6,844
Loss from equity accounted associates	483	195
Net foreign exchange gain / loss related to investing and financing activities	-266	-12
Income tax	-1,461	-5,268
Changes in receivables and prepayments related to operating activities	19,508	-21,692
Changes in inventories	3,896	-5,439
Changes in liabilities related to operating activities	-9,555	11,020
Income tax paid	-32	-115
	<b>145,671</b>	<b>109,419</b>
<b>Cash flows used in investing activities</b>		
Purchase of property, plant, equipment and intangible assets	-162,964	-271,004
Proceeds from disposals of property, plant, equipment	1,080	28,967
Proceeds from disposals of associates	50	0
Proceeds/ payments from settlement of derivatives	-3,995	2,933
Acquisition of subsidiaries, net of cash acquired	0	120
Acquisition of associates	-391	-130
Interest received	371	736
	<b>-165,849</b>	<b>-238,378</b>
<b>Cash flows from /used in financing activities</b>		
Repurchase of treasury shares	0	-4,163
Proceeds from loans	155,123	240,066
Redemption of loans and bonds	-108,618	-97,045
Change in overdraft	13,051	28,325
Payment of finance lease liabilities	-423	-949
Interest paid	-55,683	-53,880
	<b>3,450</b>	<b>112,354</b>
<b>TOTAL NET CASH FLOW</b>	<b>-16,728</b>	<b>-16,605</b>
<b>Cash and cash equivalents:</b>		
- at the beginning of period	66,710	83,315
- increase / decrease	-16,728	-16,605
<b>- at the end of period</b>	<b>49,982</b>	<b>66,710</b>

## FINANCIALS

CONSOLIDATED STATEMENT  
OF CHANGES IN EQUITY

in thousands of EUR

	Share capital	Share premium	Translation reserve	Ships' revaluation reserve	Cash flow hedge reserve	Mandatory legal reserve	Reserve for treasury shares	Retained earnings	Equity attributable to equity holders of the Parent	Total equity
<b>As of 31 August 2007</b>	<b>430,648</b>	<b>639</b>	<b>27</b>	<b>70,358</b>	<b>0</b>	<b>6,500</b>	<b>0</b>	<b>139,569</b>	<b>647,741</b>	<b>647,741</b>
Adoption of IFRIC 13	0	0	0	0	0	0	0	-12,209	-12,209	-12,209
<b>As of 31 August 2007 (Restated)</b>	<b>430,648</b>	<b>639</b>	<b>27</b>	<b>70,358</b>	<b>0</b>	<b>6,500</b>	<b>0</b>	<b>127,360</b>	<b>635,532</b>	<b>635,532</b>
Treasury shares acquired	0	0	0	0	0	0	-4,163	0	-4,163	-4,163
Transfer from profit for 2006/2007	0	0	0	0	0	3,353	0	-3,353	0	0
<i>Recalculation of deferred tax</i>	0	0	0	0	0	0	0	456	456	456
<i>Transfer from revaluation reserve</i>	0	0	0	-2,426	0	0	0	2,426	0	0
<i>Foreign currency translation</i>	0	0	-83	0	0	0	0	0	-83	-83
Total income and expense recognized directly in equity	0	0	-83	-2,426	0	0	0	2,882	373	373
Net profit for 2007/2008	0	0	0	0	0	0	0	19,424	19,424	19,424
Total income and expense for the year	0	0	-83	-2,426	0	0	0	22,306	19,797	19,797
<b>As of 31 August 2008</b>	<b>430,648</b>	<b>639</b>	<b>-56</b>	<b>67,932</b>	<b>0</b>	<b>9,853</b>	<b>-4,163</b>	<b>146,313</b>	<b>651,166</b>	<b>651,166</b>
Transfer from profit for 2007/2008	0	0	0	0	0	1,016	0	-1,016	0	0
<i>Net loss on cash flow hedges</i>	0	0	0	0	-27	0	0	0	-27	-27
<i>Transfer from revaluation reserve</i>	0	0	0	-2,425	0	0	0	2,425	0	0
<i>Foreign currency translation</i>	0	0	-268	0	0	0	0	0	-268	-268
Total income and expense recognized directly in equity	0	0	-268	-2,425	-27	0	0	2,425	-295	-295
Net loss for the financial year 2008/2009	0	0	0	0	0	0	0	-8,175	-8,175	-8,175
Total income and expense for the year	0	0	-268	-2,425	-27	0	0	-5,750	-8,470	-8,470
<b>As of 31 August 2009</b>	<b>430,648</b>	<b>639</b>	<b>-324</b>	<b>65,507</b>	<b>-27</b>	<b>10,869</b>	<b>-4,163</b>	<b>139,547</b>	<b>642,696</b>	<b>642,696</b>

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments, derivatives, investment properties, and ships that have been measured at fair value

The consolidated financial statements of AS Tallink Grupp and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

## FINANCIALS

## SELECTED FINANCIAL INFORMATION

Full annual report with the notes to it are available at the corporate website [www.tallink.com](http://www.tallink.com)

## GEOGRAPHICAL SEGMENT REPORT

in thousands of EUR

	<i>Estonia-Finland route</i>	<i>Estonia-Sweden route</i>	<i>Latvia-Sweden route</i>	<i>Germany-Finland route</i>	<i>Finland-Sweden route</i>	<i>Estonia mainland business</i>	<i>Other</i>	<i>Elimination of inter-segment sales</i>	<i>Total</i>
<b>2008/2009</b>									
<b>Revenue</b>									
Sales to external customers	217,403	90,563	46,392	36,265	350,502	31,296	19,442	0	791,863
Inter-segment sales	0	0	0	0	0	7,237	0	-7,237	0
	<b>217,403</b>	<b>90,563</b>	<b>46,392</b>	<b>36,265</b>	<b>350,502</b>	<b>38,533</b>	<b>19,442</b>	<b>-7,237</b>	<b>791,863</b>
<b>Result</b>									
Segment result	69,494	8,647	-2,369	-9,907	40,570	-1,656	8,653	0	113,432
Unallocated expenses									-49,694
Net financial items									-72,891
Share of loss of associates									-483
<b>Loss before income tax</b>									<b>-9,636</b>
Income tax									1,461
<b>Net loss</b>									<b>-8,175</b>
<b>2007/2008 <sup>1</sup></b>									
<b>Revenue</b>									
Sales to external customers	205,111	97,263	35,009	71,146	340,409	25,941	10,976	0	785,855
Inter-segment sales	0	0	0	0	0	7,133	0	-7,133	0
	<b>205,111</b>	<b>97,263</b>	<b>35,009</b>	<b>71,146</b>	<b>340,409</b>	<b>33,074</b>	<b>10,976</b>	<b>-7,133</b>	<b>785,855</b>
<b>Result</b>									
Segment result	63,012	10,536	-2,936	-6,973	38,927	1,192	5,907	0	109,665
Unallocated expenses									-45,266
Net financial items									-50,503
Share of profit of associates									-196
<b>Profit before income tax</b>									<b>13,700</b>
Income tax									5,724
<b>Net profit</b>									<b>19,424</b>

<sup>1</sup> 2007/2008 statements are restated in relation to adoption of IFRIC 13 "Customer Loyalty Programmes"

## FINANCIALS

### OPERATIONAL SEGMENT REPORT

in thousands of EUR

<b>Revenue</b>	<b>2008/2009</b>	<b>2007/2008</b>
Ticket sales	201,219	195,110
Sales of cargo transport	107,175	159,255
Accommodation sales	9,865	9,766
Restaurant and shop sales on-board and on mainland	428,556	390,126
Income from leases of vessels	16,903	10,340
Other	28,145	21,258
<b>Total revenue of the Group</b>	<b>791,863</b>	<b>785,855</b>

<b>Cost of sales</b>	<b>2008/2009</b>	<b>2007/2008</b>
Cost of goods	-174,145	-147,079
Port & stevedoring costs	-90,947	-91,469
Fuel cost	-90,576	-135,080
Staff costs	-119,029	-113,165
Ships operating expenses	-64,736	-57,376
Depreciation and amortisation	-60,999	-52,560
Cost of package sales	-13,241	-13,194
Other costs	-13,431	-11,879
<b>Total cost of sales</b>	<b>-627,104</b>	<b>-621,802</b>

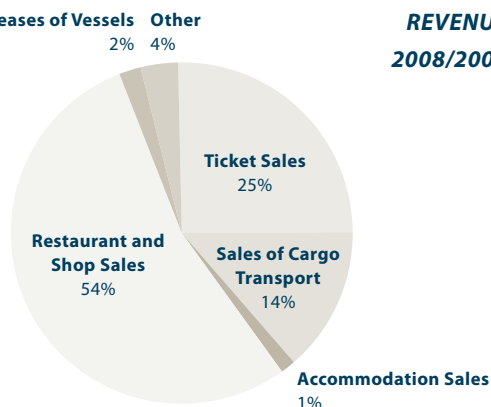
#### Financial income and financial expenses recognised in profit or loss

<b>Financial income</b>	<b>2008/2009</b>	<b>2007/2008</b>
Net foreign exchange gains	0	781
Income from interest rate swaps	0	7,609
Interest income	347	719
Other financial income	0	38
	<b>347</b>	<b>9,147</b>

#### Financial expenses

Net foreign exchange loss	-1,142	0
Interest expenses	-52,487	-58,476
Expenses from derivatives	-19,271	-765
Other financial expenses	-338	-409
	<b>-73,238</b>	<b>-59,650</b>
<b>Net finance cost</b>	<b>-72,891</b>	<b>-50,503</b>

#### REVENUE 2008/2009



<b>Marketing expenses</b>	<b>2008/2009</b>	<b>2007/2008</b>
Advertising expenses	-24,098	-26,259
Staff costs	-23,331	-26,081
Depreciation and amortisation	-1,438	-1,016
Other costs	-2,460	-1,032
<b>Total marketing expenses</b>	<b>-51,327</b>	<b>-54,388</b>

<b>Administrative expenses</b>	<b>2008/2009</b>	<b>2007/2008</b>
Staff costs	-21,685	-24,610
Depreciation and amortisation	-7,502	-8,052
Other costs	-20,319	-24,179
<b>Total administrative expenses</b>	<b>-49,506</b>	<b>-56,841</b>

Specification of staff costs included in the cost of sales, marketing expenses and administrative expenses:

	<b>2008/2009</b>	<b>2007/2008</b>
Wages and salaries	-138,232	-138,010
Social security costs	-23,749	-24,407
Staff training costs	-1,071	-708
Other staff costs	-993	-731
<b>Total staff costs</b>	<b>-164,045</b>	<b>-163,856</b>

## FINANCIALS

## CURRENT ASSETS

in thousands of EUR

## RECEIVABLES

	31.08.2009	31.08.2008
Trade receivables	28,344	48,435
Allowance for doubtful trade receivables	-1,320	-50
Receivables from associates	0	2
Government grants	9,245	13,612
Other receivables	14,532	12,678
Accrued interest income	185	569
<b>Total receivables</b>	<b>50,986</b>	<b>75,246</b>

## PREPAYMENTS

	31.08.2009	31.08.2008
Prepaid expenses	8,433	6,752
Tax prepayments	3,064	375
<b>Total prepayments</b>	<b>11,497</b>	<b>7,127</b>

The balance of prepaid expenses includes mostly prepayments for insurance and fairway dues.

## INVENTORIES

	31.08.2009	31.08.2008
Raw materials (mostly fuel)	3,132	5,274
Goods for sale	15,883	17,637
<b>Total inventories</b>	<b>19,015</b>	<b>22,911</b>

## NON-CURRENT ASSETS

in thousands of EUR

## PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Ships	Plant and equipment	Assets under construction	Total
<b>Book value as of 31 August 2007</b>	<b>8,543</b>	<b>1,378,908</b>	<b>7,184</b>	<b>49,768</b>	<b>1,444,403</b>
Additions	6	284,291	3,078	-18,467	268,908
Acquisition of subsidiaries	36	0	620	0	656
Exchange rate differences	-70	0	-1	0	-71
Disposals	0	-26,858	-154	0	-27,012
Depreciation for the year	-246	-51,571	-4,150	0	-55,967
<b>Book value as of 31 August 2008</b>	<b>8,269</b>	<b>1,584,770</b>	<b>6,577</b>	<b>31,301</b>	<b>1,630,917</b>
Additions	55	190,583	1,903	-29,863	162,678
Exchange rate differences	0	0	-2	0	-2
Disposals	-830	0	-148	-25	-1,003
Depreciation for the year	-561	-59,838	-3,420	0	-63,819
<b>Book value as of 31 August 2009</b>	<b>6,933</b>	<b>1,715,515</b>	<b>4,910</b>	<b>1,413</b>	<b>1,728,771</b>
<b>As of 31 August 2008</b>					
- gross carrying amount	10,170	1,680,031	16,274	31,301	1,737,776
- accumulated depreciation	-1,901	-95,261	-9,697	0	-106,859
<b>As of 31 August 2009</b>					
- gross carrying amount	9,002	1,868,740	17,210	1,413	1,896,365
- accumulated depreciation	-2,069	-153,225	-12,300	0	-167,594

## FINANCIALS

### Assets held under finance lease

	2008/2009	2007/2008
<b>Book value at the beginning of the year</b>	<b>1,028</b>	<b>1,461</b>
Additions	84	0
Acquisition of a subsidiary	0	490
Depreciation for the year	-538	-923
<b>Book value at the end of the year, incl.</b>	<b>574</b>	<b>1,028</b>
- cost	4,317	4,261
- accumulated depreciation	-3,743	-3,233

### INTANGIBLE ASSETS

	<i>Goodwill</i>	<i>Trademark</i>	<i>Other</i>	<i>Total</i>
<b>Book value as of 31 August 2007</b>	<b>11,147</b>	<b>54,886</b>	<b>16,003</b>	<b>82,036</b>
Additions	0	0	2,096	2,096
Acquisition of subsidiary	600	0	5	605
Disposals	0	0	-719	-719
Amortisation for the year	0	-2,916	-2,745	-5,661
<b>Book value as of 31 August 2008</b>	<b>11,747</b>	<b>51,970</b>	<b>14,640</b>	<b>78,357</b>
Additions	0	0	286	286
Amortisation and impairment loss for the year	-681	-2,916	-2,523	-6,120
<b>Book value as of 31 August 2009</b>	<b>11,066</b>	<b>49,054</b>	<b>12,403</b>	<b>72,523</b>
<b>As of 31 August 2008</b>				
- cost	11,747	58,288	19,960	89,995
- accumulated amortisation	0	-6,318	-5,320	-11,638
<b>As of 31 August 2009</b>				
- cost	11,066	58,288	20,163	89,517
- accumulated amortisation	0	-9,234	-7,760	-16,994

## FINANCIALS

## LIABILITIES

in thousands of EUR

## INTEREST-BEARING LOANS AND BORROWINGS

<b>31.08.2009</b>	<b>Maturity</b>	<b>Current portion</b>	<b>Non-current portion</b>	<b>Total borrowings</b>
Liabilities under finance lease	2009-2013	388	172	560
Bank overdraft	2009-2010	46,115	0	46,115
Long-term bank loans	2008-2021	59,319	1,075,310	1,134,629
<b>Total borrowings</b>		<b>105,822</b>	<b>1,075,482</b>	<b>1,181,304</b>

<b>31.08.2008</b>	<b>Maturity</b>	<b>Current portion</b>	<b>Non-current portion</b>	<b>Total borrowings</b>
Liabilities under finance lease	2008-2013	537	446	983
Bank overdraft	2009-2010	33,064	0	33,064
Long-term bank loans	2008-2020	107,019	978,959	1,085,978
<b>Total borrowings</b>		<b>140,620</b>	<b>979,405</b>	<b>1,120,025</b>

## PAYABLES

	<b>31.08.2009</b>	<b>31.08.2008</b>
Trade payables	43,234	48,381
Payables to associates	8	2
Other payables	683	7,483
Payables to employees	22,116	20,183
Interest payable	6,580	10,910
Tax liabilities	10,831	8,828
Other accruals	7,032	7,859
<b>Total current payables</b>	<b>90,484</b>	<b>103,646</b>

## Tax liabilities

	<b>31.08.2009</b>	<b>31.08.2008</b>
Salary related taxes	7,430	4,965
Excise duties	704	409
VAT	2,664	3,447
Income tax	33	7
Other taxes	0	0
<b>Total tax liabilities</b>	<b>10,831</b>	<b>8,828</b>

## DEFERRED INCOME

	<b>31.08.2009</b>	<b>31.08.2008</b>
Club One points	13,438	13,107
Prepaid revenue	7,737	8,868
<b>Total deferred income</b>	<b>21,175</b>	<b>21,975</b>

## FINANCIALS

### CURRENCY POSITION

In thousands of EUR

<b>31.08.2009</b>	<b>EEK</b>	<b>EUR</b>	<b>USD</b>	<b>SEK</b>	<b>LVL</b>	<b>Other</b>	<b>Total</b>
Cash and cash equivalents	659	43,841	28	4,425	351	678	49,982
Trade receivables, net of allowance	1,475	21,950	0	3,239	7	353	27,024
Other financial assets	492	27,224	0	0	1	0	27,717
	<b>2,626</b>	<b>93,015</b>	<b>28</b>	<b>7,664</b>	<b>359</b>	<b>1,031</b>	<b>104,723</b>
Current portion of borrowings	-26,589	-79,233	0	0	0	0	-105,822
Trade payables	-5,877	-30,700	-1,371	-4,521	-670	-95	-43,234
Other current payables	-11,968	-44,926	0	-976	-865	-9	-58,744
Non-current portion of borrowings	-246	-1,075,236	0	-85	0	0	-1,075,567
	<b>-44,680</b>	<b>-1,230,095</b>	<b>-1,371</b>	<b>-5,582</b>	<b>-1,535</b>	<b>-104</b>	<b>-1,283,367</b>
<b>Currency net position, EUR</b>	<b>-42,054</b>	<b>-1,137,080</b>	<b>-1,343</b>	<b>2,082</b>	<b>-1,176</b>	<b>927</b>	<b>-1,178,644</b>

<b>31.08.2008</b>	<b>EEK</b>	<b>EUR</b>	<b>USD</b>	<b>SEK</b>	<b>LVL</b>	<b>Other</b>	<b>Total</b>
Cash and cash equivalents	1,584	45,240	127	17,404	924	1,431	66,710
Trade receivables, net of allowance	5,293	36,728	0	6,038	1	325	48,385
Other financial assets	3,052	27,388	0	8	6	0	30,454
	<b>9,929</b>	<b>109,356</b>	<b>127</b>	<b>23,450</b>	<b>931</b>	<b>1,756</b>	<b>145,549</b>
Current portion of borrowings	-21,878	-118,742	0	0	0	0	-140,620
Trade payables	-7,152	-36,328	-878	-3,472	-409	-142	-48,381
Other current payables	-12,630	-42,205	0	-193	-564	-15	-55,607
Non-current portion of borrowings	-269	-979,136	0	-105	0	0	-979,510
	<b>-41,929</b>	<b>-1,176,411</b>	<b>-878</b>	<b>-3,770</b>	<b>-973</b>	<b>-157</b>	<b>-1,224,118</b>
<b>Currency net position, EUR</b>	<b>-32,000</b>	<b>-1,067,055</b>	<b>-751</b>	<b>19,680</b>	<b>-42</b>	<b>1,599</b>	<b>-1,078,569</b>

### GROUP ENTITIES

	<b>Interest As of 31 August 2009</b>	<b>Interest As of 31 August 2008</b>	<b>Country of incorporation</b>	<b>Parent company</b>
OÜ Hansaliin	100%	100%	Estonia	AS Tallink Grupp
OÜ Hansatee Kinnisvara	100%	100%	Estonia	AS Tallink Grupp
AS Tallink Duty Free	100%	100%	Estonia	AS Tallink Grupp
OÜ HT Laevateenindus	100%	100%	Estonia	AS Tallink Grupp
OÜ HT Meelelahutus	100%	100%	Estonia	AS Tallink Grupp
AS Tallink	100%	100%	Estonia	AS Tallink Grupp
AS Hansatee Cargo	100%	100%	Estonia	AS Tallink Grupp
OÜ TLG Hotell	100%	100%	Estonia	AS Tallink Grupp



## FINANCIALS

OÜ Tallink Travel Club	100%	100%	Estonia	AS Tallink Grupp
AS V. S & I	-	100%	Estonia	AS Tallink Grupp
OÜ TLG Meedia	-	100%	Estonia	AS Tallink Grupp
AS Tallink Baltic	100%	100%	Estonia	AS Tallink Grupp
OÜ Mare Pharmaci	100%	100%	Estonia	AS Tallink Grupp
AS HTG Invest	100%	100%	Estonia	AS Tallink Grupp
Tallink Finland OY	100%	100%	Finland	AS Tallink Grupp
Tallink Latvija AS	100%	100%	Latvia	AS Tallink Grupp
Kapella Shipping Ltd	100%	100%	Bahamas	AS Tallink Grupp
Tallink Line Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallinn-Helsinki Line Ltd	100%	100%	Cyprus	AS Tallink Grupp
Vana Tallinn Line Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallink Fast Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallink Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallinn Swedish Line Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallinn Stockholm Line Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallink Victory Line Ltd	100%	100%	Cyprus	AS Tallink Grupp
Hansalink Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallink Autoexpress Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallink High Speed Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallink Sea Line Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallink Superfast Ltd	100%	100%	Cyprus	AS Tallink Grupp
Baltic SF VII Ltd	100%	100%	Cyprus	AS Tallink Grupp
Baltic SF VIII Ltd	100%	100%	Cyprus	AS Tallink Grupp
Baltic SF IX Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallink Hansaway Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallink-Ru OOO	100%	100%	Russia	AS Tallink Grupp
HTG Stevedoring Oy	100%	100%	Finland	AS Tallink Grupp
Ingleby (1699) Ltd.	100%	100%	UK	AS Tallink Grupp
OÜ HT Hulgi Tolliladu	100%	100%	Estonia	AS Tallink Duty Free
OÜ TDF Kommerts	-	100%	Estonia	AS Tallink Duty Free
Tallink Sverige AB	-	100%	Sweden	AS Hansatee Cargo
AS Tallink Scandinavian	100%	100%	Estonia	AS Tallink Grupp
Tallink Silja Oy	100%	100%	Finland	AS Tallink Scandinavian
Silja Cruise AB	100%	100%	Sweden	Tallink Silja Oy
Sally AB	100%	100%	Finland	Tallink Silja Oy
Silja Europa Oy	100%	100%	Finland	Tallink Silja Oy
Tallink Silja AB	100%	100%	Sweden	Tallink Silja Oy
Silja Line Eesti AS	-	100%	Estonia	AS Tallink Grupp
Silja Line Gmbh	100%	100%	Germany	Tallink Silja Oy Ab
Sea Wind Line Oy Ab	100%	100%	Finland	Tallink Silja Oy
SeaWind Line AB	-	100%	Sweden	Sea Wind Line Oy
Exlaw Oy	100%	100%	Finland	Tallink Silja Oy
Nimtakos Oy	100%	100%	Finland	Neptun Juridica Oy
OÜ Hera Salongid	100%	100%	Estonia	OÜ TLG Hotell
SIA HT Shipmanagement	100%	100%	Latvia	OÜ HT Laevateenindus

## AUDITOR'S REPORT



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## INDEPENDENT AUDITOR'S REPORT

## To the shareholders of AS Tallink Grupp

We have audited the accompanying consolidated financial statements of AS Tallink Grupp (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at 31 August 2009, the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 26 to 97.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of AS Tallink Grupp as of 31 August 2009, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Tallinn, 18 December 2009

KPMG Baltics AS

Andres Root  
Authorized Public Accountant

Eero Kaup  
Authorized Public Accountant



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AS Tallink Grupp recognizes environmental protection and management as one of its highest priorities. Every effort is to be made to conserve and protect the environment from marine, atmospheric and other forms of pollution, including office based waste. Our vessels are maintained and operated in accordance with the MARPOL convention. Our vessels use the low sulphur content fuel and we operate a zero spill policy. We promote actively environmental awareness by training and education of our employees and follow efficient use of energy and materials in offices and ships.





